

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

C0072

INCOMING

DATE RECEIVED: FEBRUARY 04, 1992

NAME OF CORRESPONDENT: THE HONORABLE HENRY B. GONZALEZ

SUBJECT: REQUESTS THE PRESIDENT TO THOROUGHLY
INVESTIGATE THE NUMBER OF U.S. COMPANIES THAT
HAVE PROVIDED CRITICAL SUPPORT TO THE IRAQI
WEAPONS PROGRAMS, INCLUDING MISSILES

ROUTE TO: OFFICE/AGENCY	(STAFF NAME)	ACTION		DISPOSITION	
		ACT CODE	DATE YY/MM/DD	TYPE RESP	C COMPLETED D YY/MM/DD
NICK CALIO		ORG	92/02/04	NC	A 92/02/05
NCSITV	REFERRAL NOTE:	SR	920210		1 1
99DOS	REFERRAL NOTE:	#	920210		1 1
99Trea	REFERRAL NOTE:	#	920210		1 1
99Doc	REFERRAL NOTE:	#	920210		1 1
99DOD	REFERRAL NOTE:	#	920210		1 1

COMMENTS: ADDITIONAL FAX COPY OF INCOMING IS ATTACHED;
ENCLOSURES MENTIONED IN INCOMING ARE NOT
ATTACHED

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: 1230
MAIL USER CODES: (A) (B) (C)

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*ACTION CODES:          *DISPOSITION          *OUTGOING          *
*                        *                        *CORRESPONDENCE:  *
*A-A-APPROPRIATE ACTION *A-ANSWERED          *TYPE RESP=INITIALS *
*C-C-COMMENT/RECOM      *B-NON-SPEC-REFERRAL *          OF SIGNER    *
*D-D-DRAFT RESPONSE     *C-COMPLETED        *          CODE = A    *
*F-F-FURNISH FACT SHEET *S-SUSPENDED        *COMPLETED = DATE OF *
*I-I-INFO COPY/NO ACT NEC*                        *          OUTGOING  *
*R-R-DIRECT REPLY W/COPY *                        *                        *
*S-S-FOR-SIGNATURE      *                        *                        *
*X-X-INTERIM REPLY      *                        *                        *
*****

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REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE
(ROOM 75, OEOB) EXT-2590
KEEP THIS WORKSHEET ATTACHED TO THE ORIGINAL INCOMING
LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS
MANAGEMENT.

February 5, 1992

Dear Mr. Chairman:

Thank you for your recent letter to the President expressing your concern that U.S. firms may have assisted Iraq's defense industry.

We appreciate being advised of your interest in identifying companies who may have contributed to Iraqi defense capabilities. Please know that I have shared your letter with several of the President's advisors in this matter for their review.

Thank you again for your interest in writing.

With best regards,

Sincerely,

Nicholas E. Calio
Assistant to the President
for Legislative Affairs

The Honorable Henry B. Gonzalez
Chairman
Committee on Banking, Finance and Urban Affairs
House of Representatives
Washington, D.C. 20515-6050

NEC:JHH:

bcc: w/ copy of inc to NSC - for direct response
bcc: w/ copy of inc to Dept. of State - FYI
bcc: w/ copy of inc to Dept. of the Treasury - FYI
bcc: w/ copy of inc to Dept. of Commerce - FYI
bcc: w/ copy of inc to Dept. of Defense - FYI

HENRY B. BONZALEZ, TEXAS, CHAIRMAN

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U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

ONE HUNDRED SECOND CONGRESS
2129 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6050

January 31, 1992

304815
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SAM JOHNSON, TEXAS

BERNARD SANDERS, VERMONT

(202) 225-4247

Honorable George Bush
The President of the United States
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

On November 5, 1990, you signed into law the "Iraq Sanctions Act of 1990" as part of Public Law 101-513. The Iraq Sanctions Act contained a provision requiring you to conduct a study and report on the sale, export, and third party transfer or development of nuclear, biological, chemical and ballistic missile technology to or with Iraq. Pursuant to that Act, you issued a report to Congress in the Fall of 1991 concluding that U.S. firms did not contribute directly to Iraq's conventional and nonconventional weapons capabilities. The report to Congress is clearly inaccurate. In fact, numerous U.S. companies provided critical support to Iraqi weapons programs, including missiles.

Over the past year, the Committee on Banking, Finance and Urban Affairs has been conducting an extensive investigation of the activities of the Atlanta branch of the Italian government-owned Banca Nazionale del Lavoro (BNL). The Atlanta branch of BNL loaned over \$2 billion to an Iraqi military technology procurement network that was operating in the U.S. and Europe. The Committee has clear evidence showing that dozens of U.S. firms played a critical role in Iraqi weapons programs. The Committee has learned that responsible agencies have not thoroughly reviewed thousands of relevant documents because of inadequate resources.

Not Encl.
For example, documents I am transmitting with this letter indicate that numerous BNL-financed U.S. firms were directly involved in the development of a ballistic missile known as the Condor II. The code name that the Iraqi government assigned to the Condor II missile program was "Project 395." The Committee has evidence revealing that over a dozen U.S. firms were directly involved in Project 395. The equipment and technology supplied by U.S. firms involved in Project 395 were used to construct part of the infrastructure (e.g. buildings, utilities, fortification, etc.) necessary for Iraq to mass produce the Condor II missile.

The Committee also has evidence indicating that U.S. firms were involved in several other Iraqi missile programs code named Project 144 and Project 1728. These programs both involved the production of a modified Scud missile. Several U.S. companies supplied materials for these projects. These are the same Scud missiles used during the Gulf War to attack both American troops stationed in Saudi Arabia and civilians living in Israel.

The Iraqi organization responsible for Project 395 and the Scud modification projects is called the Technical Corps for Special Projects (TECO). The Commerce Department approved numerous export licenses for U.S. and foreign firms even though TECO was listed as the end-user. Moreover, these licenses were issued despite the fact that the Commerce and State Departments had ample knowledge of TECO and its activities at the time these licenses were approved. The Committee has grave concerns about the export licensing process and is investigating how the Commerce Department could have approved such licenses to Iraq.

Various agencies within the Administration unfortunately have hampered the Committee's investigation of BNL and its role in funding Iraqi weapons of mass destruction. On November 13, 1991, I wrote to the Secretary of State, the Honorable James Baker, asking him to provide the Committee with information on American companies involved in Iraqi weapons programs which was compiled by the United Nations (U.N.) and the International Atomic Energy Agency (IAEA) after the cease fire with Iraq. To date, the Secretary of State has refused to supply the Committee with this data. In fact, Secretary Baker has refused to ask these organizations for this information.

In addition, the Iraqi technology procurement network in the United States has not been fully identified by the Treasury Department. At least one U.S. company, Tigris Trading, Inc., located in Pittsburgh, Pennsylvania, is owned by an Iraqi national, Safa Al-Habobi, who has been indicted for his role in financing the Iraqi war machine with the use of BNL loans. It is common knowledge that Al-Habobi was a major figure in the Iraqi military technology procurement network.

The Committee also has evidence indicating that there may be at least a half dozen additional Iraqi-controlled companies that have not been properly identified. These companies may still be operating as part of the secret Iraqi procurement network. At a minimum, these companies either wittingly, or unwittingly, offered the Iraqi government an ownership interest in their business.

Mr. President, in light of the findings of the Banking Committee, and the ever growing threat of countries like Iraq who are seeking to covertly develop weapons of mass destruction, I trust that you will do everything within your power to learn the full truth about the U.S. role in helping Iraq develop conventional and nonconventional weapons capability. The American people have a right to know the truth.

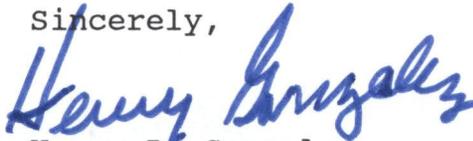
I also respectfully request that you instruct the appropriate agencies to be forthcoming in assisting the Committee with its investigation.

I feel certain that you will want to submit a new report to Congress that reflects the true role played by U.S. companies and Federal agencies in permitting the transfer of technology and know-how to Saddam Hussein's war machine.

Thank you for your time and consideration. I look forward to working with you to curb the international proliferation of technology and know-how necessary to build weapons of mass destruction.

With best wishes.

Sincerely,



Henry B. Gonzalez
Chairman

HBG:dk

Name	Date
Larry Neubauer	8/24/92

Counsel's 113 060B

JK

*Dennis
Hare*

1117

ID# 304815

THE WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

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		ACT CODE	DATE YY/MM/DD	TYPE RESP	C COMPLETED D YY/MM/DD
NICK CALIO		ORG	92/02/04	NC	A92/02/05
<i>NSCSITT</i>	REFERRAL NOTE: _____	<i>SR</i>	<i>220210</i>		<i>292/03/10</i>
<i>99DOS</i>	REFERRAL NOTE: _____	<i>#</i>	<i>220210</i>		<i>CTT</i>
<i>99Trea</i>	REFERRAL NOTE: _____	<i>#</i>	<i>220210</i>		<i>CTT</i>
<i>99Doc</i>	REFERRAL NOTE: _____	<i>#</i>	<i>220210</i>		<i>CTT</i>
<i>99DOD</i>	REFERRAL NOTE: _____	<i>#</i>	<i>220210</i>		<i>CTT</i>
<i>NS</i>	<i>attn: Jane Baker</i>	<i>#</i>	<i>220210</i>		<i>CTT</i>

COMMENTS: ADDITIONAL FAX COPY OF INCOMING IS ATTACHED;
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ATTACHED

ADDITIONAL CORRESPONDENTS: MEDIA:L INDIVIDUAL CODES: 1230
MAIL USER CODES: (A) _____ (B) _____ (C) _____

- *****
- | | | | |
|--------------------------|----------------------|----------------------|---|
| *ACTION CODES: | *DISPOSITION | *OUTGOING | * |
| * | * | *CORRESPONDENCE: | * |
| *A-APPROPRIATE ACTION | *A-ANSWERED | *TYPE RESP=INITIALS | * |
| *C-COMMENT/RECOM | *B-NON-SPEC-REFERRAL | * OF SIGNER | * |
| *D-DRAFT RESPONSE | *C-COMPLETED | * CODE = A | * |
| *F-FURNISH FACT SHEET | *S-SUSPENDED | *COMPLETED = DATE OF | * |
| *I-INFO COPY/NO ACT NEC* | | * OUTGOING | * |
| *R-DIRECT REPLY W/COPY * | | * | * |
| *S-FOR-SIGNATURE * | | * | * |
| *X-INTERIM REPLY * | | * | * |
- *****

REFER QUESTIONS AND ROUTING UPDATES TO CENTRAL REFERENCE
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LETTER AT ALL TIMES AND SEND COMPLETED RECORD TO RECORDS
MANAGEMENT.

UNCLASSIFIED
NSC/S PROFILE

RECORD ID: 9201117
RECEIVED: 13 FEB 92 11

TO: PEARSON, W

FROM: SITTMANN

DOC DATE: 10 MAR 92
SOURCE REF:

KEYWORDS: IRAQ
DEFENSE POLICY

PROLIFERATION
CO

PERSONS:

SUBJECT: GONZALEZ LTR ON US EXPORTS TO IRAQ

ACTION: SITTMANN SGD MEMO DUE DATE: 13 MAR 92 STATUS: C

STAFF OFFICER: PONEMAN LOGREF:

FILES: WH NSCP: CODES:

DOCUMENT DISTRIBUTION

FOR ACTION

FOR CONCURRENCE

FOR INFO
EXECSEC
PONEMAN

COMMENTS: _____

DISPATCHED BY WJA DATE 3/10 BY HAND W/ATTCH
OPENED BY: NSJSL CLOSED BY: NSWEA DOC 3 OF 3

UNCLASSIFIED

UNCLASSIFIED
ACTION DATA SUMMARY REPORT

RECORD ID: 9201117

DOC ACTION OFFICER

001 HAASS
002 SITTMANN
003

CAO ASSIGNED ACTION REQUIRED

Z 92021311 PREPARE MEMO FOR SCOWCROFT
Z 92031018 FOR SIGNATURE
X 92031019 SITTMANN SGD MEMO

UNCLASSIFIED

UNCLASSIFIED
NSC/S PROFILE

RECORD ID: 9201117
RECEIVED: 13 FEB 92 11

TO: PRESIDENT

FROM: GONZALEZ, HENRY B

DOC DATE: 31 JAN 92
SOURCE REF: 304815

KEYWORDS: IRAQ
DEFENSE POLICY

PROLIFERATION
CO

PERSONS:

SUBJECT: LTR TO PRES FM REP GONZALEZ RE CONCERN THAT NUMEROUS US COMPANIES
PROVIDED CRITICAL SUPPORT TO IRAQI WEAPONS PROGRAMS

ACTION: PREPARE MEMO FOR SCOWCROFT . DUE DATE: 17 FEB 92 STATUS: S

STAFF OFFICER: HAASS

LOGREF:

FILES: WH

NSCP:

CODES:

D O C U M E N T D I S T R I B U T I O N

FOR ACTION
HAASS

FOR CONCURRENCE
JONES
LAMPLEY
PILLING
PONEMAN
RIEDEL

FOR INFO
GORDON
HOWE
SCOWCROFT

COMMENTS: *ATTATCHMENTS INCLUDED*

DISPATCHED BY _____ DATE _____ BY HAND W/ATTCH

OPENED BY: NSMEM

CLOSED BY:

DOC 1 OF 1

UNCLASSIFIED

**National Security Council
The White House**

PROOFED BY: W4 **LOG #** 1117
URGENT NOT PROOFED: _____ **SYSTEM** PRS **NSC** **INT**
BYPASSED WW DESK: _____ **DOCLOG** NO _____

	SEQUENCE TO	HAS SEEN	DISPOSITION
<u>W4</u> Ken Hill	<u>1</u>	<u>K</u>	<u>A</u>
Bill Sittmann	<u>2</u>	<u>W</u>	
Jon Howe			
Brent Scowcroft			
Bill Sittmann			
Situation Room			
West Wing Desk	<u>3</u>	<u>NSA 3/10</u>	<u>D</u>
NSC Secretariat			

A = Action **I = Information** **D = Dispatch** **R = Retain** **W = No further Action**

cc: **VP** **Skinner** **Other** _____

Should be seen by: _____
(Date/Time)

COMMENTS

DISPATCH INSTRUCTIONS:

10 MAR 87 10

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

March 10, 1992

ACTION

MEMORANDUM FOR WILLIAM F. SITTMANN

THROUGH: JOHN GORDON *JG*
FROM: DANIEL PONEMAN *DP*
SUBJECT: Gonzalez Letter on U.S. Exports to Iraq

The letter attached at Tab A relates to a report drafted and cleared by State. Accordingly, we recommend that State prepare the initial draft response with a short suspense.

Since we are already late, we will simultaneously work on a draft here.

Concurrences by: Virginia Hambley, Nicholas Rostow, *NR*
Richard Haass, Richard Barth *RB*

RECOMMENDATION

That you sign the memo attached at Tab I to Bob Pearson.

Attachments

Tab I Memo to Bob Pearson
Tab A Incoming from Chairman Gonzalez

NATIONAL SECURITY COUNCIL

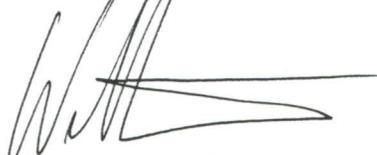
WASHINGTON, D.C. 20506

March 10, 1992

MEMORANDUM FOR W. ROBERT PEARSON
Executive Secretary
Department of State

SUBJECT: Gonzalez Letter on U.S. Exports to Iraq

Please submit a draft response to the letter attached at Tab A for the President's signature no later than Friday, March 13, 1992.

A handwritten signature in black ink, appearing to read 'W. F. Sittmann', with a long horizontal line extending to the right.

William F. Sittmann
Executive Secretary

Attachment

Tab A Gonzalez letter with attachments

HENRY B. ZONALIZ, TEXAS, CHAIRMAN

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COMMITTEE ON BANKING, FINANCE AND URBAN AFFAIRS

ONE HUNDRED SECOND CONGRESS

2129 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6050

January 31, 1992

204815 117
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Honorable George Bush
The President of the United States
1600 Pennsylvania Avenue, N.W.
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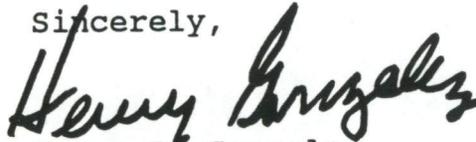
I also respectfully request that you instruct the appropriate agencies to be forthcoming in assisting the Committee with its investigation.

I feel certain that you will want to submit a new report to Congress that reflects the true role played by U.S. companies and Federal agencies in permitting the transfer of technology and know-how to Saddam Hussein's war machine.

Thank you for your time and consideration. I look forward to working with you to curb the international proliferation of technology and know-how necessary to build weapons of mass destruction.

With best wishes.

Sincerely,

A handwritten signature in black ink, appearing to read "Henry Gonzalez", written in a cursive style.

Henry B. Gonzalez
Chairman

HBG:dk

February 5, 1992

Dear Mr. Chairman:

Thank you for your recent letter to the President expressing your concern that U.S. firms may have assisted Iraq's defense industry.

We appreciate being advised of your interest in identifying companies who may have contributed to Iraqi defense capabilities. Please know that I have shared your letter with several of the President's advisors in this matter for their review.

Thank you again for your interest in writing.

With best regards,

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Nicholas E. Calio
Assistant to the President
for Legislative Affairs

The Honorable Henry B. Gonzalez
Chairman
Committee on Banking, Finance and Urban Affairs
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Washington, D.C. 20515-6050

NEC:JHH:

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bcc: w/ copy of inc to Dept. of the Treasury - FYI
bcc: w/ copy of inc to Dept. of Commerce - FYI
bcc: w/ copy of inc to Dept. of Defense - FYI

THE WHITE HOUSE

WASHINGTON

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ID# 304815

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- Oversize attachment not scanned.
- Report not scanned.
- Enclosure(s) not scanned.
- Proclamation not scanned.
- Incoming letter(s) not scanned.
- Proposal not scanned.
- Statement not scanned.
- Duplicate letters attached - not scanned.
- Only table of contents scanned.
- No incoming letter attached.
- Only tracking sheet scanned.
- Photo(s) not scanned.
- Bill not scanned.

Comments:

How Iraq Built Its War Machine Through U. S. Sources

Statement of The Honorable Henry B. Gonzalez

Chairman, Committee on Banking, Finance and Urban Affairs

Mr. Speaker:

For over a year, the Committee on Banking, Finance and Urban Affairs has been investigating the activities of Banca Nazionale del Lavoro, or BNL, in the United States. In the course of that investigation, we have learned that BNL provided over \$4 billion in apparently illicit loans to the Government of Iraq. While about half these loans went to purchase food commodities, it is less well known that about half was used to finance Iraq's efforts to build a self-sufficient military industry-- an industry that could build missiles, one that came close to developing nuclear arms, one that did produce chemical weapons, one that could build a super gun capable of unprecedented range-- as well as produce conventional weapons.

I have taken this time to report, as I have promised I would, on the Committee's activity and findings.

Last fall, in a report to Congress, the President reported that no U. S. company contributed directly to Iraq's conventional or nonconventional weapons capability. In fact, however, Iraq operated an extensive, clandestine procurement network that obtained critical financing through BNL, and that operated in this country to procure U.S. technology and know-how for Iraqi weapons programs. I have written the President to advise him of this finding, and to ask that he cooperate fully in our efforts to

develop all the facts. Unfortunately, the Committee has met with many obstacles in its efforts to determine how Iraq used BNL and other sources in this country to develop important military technology. Despite the unfortunate obstacles, we have learned a great deal. I hope that President Bush will now order complete cooperation as we seek to determine the full facts. I hope also that the President will issue a report of his own, correcting the report sent to Congress last year.

Pending further study, I do want to describe what the Committee knows about the Iraqi procurement network, how it operated, and how U. S. firms directly participated, wittingly or unwittingly in the Iraqi effort to develop weapons on mass destruction.

I hope to produce a report on all the Committee's findings, but in the meanwhile, I will provide through this forum further information as warranted.

Already, the Committee's work on BNL has resulted in major legislation to require more effective regulation and oversight of foreign banks operating here. However, it is likely that more needs to be done. I am in fact developing a new bill that would encourage multilateral lending institutions-- the World Bank and others-- to pay close attention to the need to prevent the further proliferation of sophisticated weaponry in countries like Iraq, that depend on those institutions for basic economic help. Therefore, this investigative effort has important legislative goals.

The government of Iraq, operating with BNL financing and using a secret procurement network, was able to obtain assistance even through the Export-Import Bank. This network obtained \$2.155 billion in loans from BNL alone, for militarily useful products-- specialized machinery, various kinds of steel, industrial equipment, chemicals, computers, and others. In addition, BNL financed \$2 billion worth of agricultural goods through the Commodity Credit Corporation (CCC) program.

It was an early objective of Saddam Hussein to become an independent producer of arms-- including nuclear weapons and the missiles to deliver them. The world already knows that he used chemical weapons freely against his own people. It is likely that he would have used them in the Gulf War had he not feared retaliation. In any case, he came close to many of his objectives-- close to producing nuclear bombs, close to building a super gun, and close to producing sophisticated missiles. Indeed, he did build chemical weapons, he did build enhanced SCUD missiles, and he did use them.

The war against Iran interrupted the indigenous Iraqi weapons program, since the money was needed to buy finished military goods to fight in that long and extremely bloody war. But once the war was over, Saddam immediately started his full scale weapons development and production program.

The major U. S. source of credit for food and weaponry was BNL-- a bank owned by the Italian government, which had offices in this country, most notably in Atlanta, Georgia. A number of persons who operated that office, and others who dealt with it,

have been indicted for their crimes. Some have been convicted. But to date, the American people know little about how Iraq operated in this country to attain its illicit goals.

Iraq could not achieve its aims without Western help. Saddam needed more than U. S. food. He needed technology, equipment and supplies that were available only in the West. Despite the official obstacles, he found little difficulty in getting what he wanted.

Structure of the Secret Network

The military procurement system of Iraq, like the rest of the government, was tightly controlled. At the top was the Council of Revolutionary Leadership, headed by Saddam Hussein and close family members. This was the center of power.

Below the Council, in what we might think of as a Cabinet department, was the Military Industrialization Board (MIB), which planned and oversaw the effort. This Board was in all likelihood headed by Hussain Kamil, who is Saddam's son-in-law.

Day-to-day operations of the military establishment were carried out through the Ministry of Industry and Military Industrialization, which I will refer to as MIMI.

MIMI in turn used a series of state-owned organizations to buy and build the military power Saddam desired for Iraq. There were at least a dozen organizations operated by MIMI that bought Western technology and goods for the weapons program. It was MIMI and its affiliates that used the \$2.1 billion of credit supplied by Banca Lavoro. As a matter of fact, employees of the bank met with Hussain Kamil on several occasions during visits to Iraq. Clearly, this is the man who called the shots on how BNL funds were used.

Hussain Kamil, let it be understood, had other functions. Besides heading the MIB and MIMI he was also head of the Secret Service Organization (SSO). Through this organization, he set up the clandestine technology procurement network that was essential to Iraq's success. A key member of the Secret Service Organization was Safa Al-Habobi, who had direct responsibility for making the procurement scheme work. Safa Al-Habobi was the mastermind behind MIMI's procurement efforts.

Once a year, the MIB would set goals. The MIMI would ascertain what was needed to meet the targets, and then set out to obtain the necessary goods.

Here is an example of how the system operated:

A military plant in Iraq known as the Martyr's Factory needed a computer numerically controlled lathe to meet its production goal, which required production of complex machined metal parts. The MIB got the order from the factory and forwarded it to the Iraqi Embassy in Germany. The Iraqi embassy in turn forwarded the order to front companies controlled by the SSO in the United States, United Kingdom, Germany and Italy. The front companies obtained bids, which were communicated back to the arms plant. The plant in turn decided which, if any, bid to accept, went back up the ladder for approval and got the goods, the delivery of which often depended on BNL financing.

There are thousands of examples of this type of transaction.

U. S. Assistance to Iraq's Missile Program

The MIMI used an organization known as the Technical Corps for

Special Projects, or TECO, for its sophisticated missile and nuclear development efforts. Through TECO, Iraq was able to obtain important U. S. help in these programs, including the Condor II, which in Iraqi code was referred to as Project 395.

The Condor II apparently started in 1984 as part of an effort by Iraq, Egypt and Argentina to jointly develop a missile that had a range of between 500 and 1,000 kilometers.

Argentina was to provide the development of the production site, Iraq was to put up the financing, and Egypt was to procure the technology. A consortium of mostly European firms handled various portions of the project. However, by 1987 or early 1988, Iraq became unhappy with the slow pace of the project, and suspicious that its partners might be siphoning off some of the billions invested. In addition, in summer 1988, Abdel Kader Helmy was arrested in California for illegally transferring technology for the Condor II to Egypt. His role is more fully described in excerpts from trial-related documents that I will include in the record.

By the 1988, Iraq was taking a much greater role in the Condor II project. Through TECO, which remember was a MIMI affiliate, agreements were signed with many of the original contractors who had worked in the consortium. At that time, TECO assigned the designation Project 395 to the Condor II program.

Project 395 had at least three sites in Iraq, each of which has a different function and its own project number. In addition, an missile R&D site was erected in northern Iraq. Despite all efforts though, the Condor apparently was not mass produced in time

for the invasion of Kuwait in August, 1990. However, it is clear that much was done, and that BNL loans were vital to the program, and that numerous Western sources, including companies from Europe and the United States took part.

As many Members know, a Cleveland company known as Matrix Churchill was an Iraqi front company. TECO was the controller of that company.

To illustrate the role played by Matrix-Churchill, I offer for the record a telex from TECO to Matrix Churchill detailing a visit from a Baghdad delegation. The purpose of the visit was to have TECO employees meet with over a dozen U. S. companies that were expected to supply goods to the Condor II program, known also as Project 395, but referred to for purposes of obtaining the goods as the Badush Dam or Badush project. The date of this telex is August 6, 1988.

There was in fact a dam being constructed in the general area, but there was also one or more missile-related facilities in the area of the dam. It is certain that goods supposedly bought for the dam were actually used in the missile program. The Committee has many shipping documents that clearly show the buyer was TECO and Project 395 was the destination.

Sample of U.S. Suppliers Involved in Project 395

Among other companies that shipped to the project were these:

Mack Truck, Pennsylvania -- tractors, trucks & trailers

Lincoln Electric, Ohio -- welding machines and supplies
Rotec Industries, Illinois -- cement handling equipment
Hewlett Packard, California -- computer systems
EMCO Engineering, Massachusetts -- water treatment facility
IONICS, Massachusetts -- water demineralization plants and
water pumping systems
Dresser Construction, Illinois, -- construction equipment
Mundratech, Ltd., Illinois, -- dump trucks
Caterpillar Tractor Co., Illinois -- tractors/earth movers
Grove Manufacturing, Pennsylvania -- truck mounted cranes
Ingersoll Rand Co., New Jersey -- cement compacting machines
Liebherr-America, Virginia -- Liebherr cement mixers on Mack
truck chassis
Mannesmann Demag, Illinois -- heavy construction equipment

The foregoing is not a complete compilation, since there are numerous documents yet to be reviewed. However, it is an indication of how a foreign government can use secret methods to obtain important help for development of military projects, taking advantage of our open market. Project 395 is not the only one involved. There are two other Iraq missile programs known as Project 144 and Project 1728 that also obtained U.S. help. These were SCUD-related programs. It was the SCUD that was launched against U.S. troops and numerous other targets during the Gulf War.

The Iraqi network was also responsible for obtaining technology related to more conventional weapons such as artillery

shells and artillery pieces as well as nuclear weapons-related procurement.

Administration Response Inadequate

The government has in its hands thousands of Matrix Churchill documents, but has yet to thoroughly review them. The hard fact is, there are not enough personnel assigned to do the job. But these are the documents that show clearly what the Iraqi network was and how it operated, as well the importance of the BNL financial support. Today, there is no higher priority than to prevent the spread of sophisticated weapons to countries like Iraq - and yet, there is not an adequate effort even to determine what went wrong in the case of Iraq, so that the lessons can be applied.

There are hundreds of cases in which the exports to Iraq required U.S. export licenses. Export licensing documents show that the end user was often times an establishment engaged in military activity. Nevertheless, it is clear that Iraq had little trouble in getting the licenses from the Department of Commerce. Moreover, in the case of TECO, this occurred despite the fact that the Departments of Commerce and State had clear knowledge of what TECO was and what its purposes were. It is painfully clear that the export licensing system did little or nothing to prevent Iraq from getting the goods it needed for its weapons program-- even though the State and Commerce Departments were adequately informed of the real nature of the buyer.

Misleading Report

The Iraq Sanctions Act required the President to submit a report to the Congress on the sale, export and third party transfer of nuclear, biological, chemical and ballistic missile technology to or with Iraq. The report submitted to the Congress is classed as "secret". However, there is little information in the report that is not already published and in the public realm. But the significant fact is that the report was at the very least misleading in its conclusion that U. S. companies were not directly involved supplying Iraqi conventional and nonconventional weapons capability. This is not only my opinion; the United Nations has reached the same conclusion.

Pursuant to Resolution 687, the United Nations mandates the "destruction, removal or rendering harmless" Iraqi weapons of mass destruction. This would include any missiles with a range of more than 150 kilometers, missile components and support facilities - for example the enhanced SCUD and the Condor II. This task is assigned to the a United Nations Special Commission and the International Atomic Energy Agency, or IAEA, which as the world knows has encountered harassment and obstruction from Iraq. Despite this, the UN has obtained information that confirms the Committee's own findings about the procurement system and how U. S. firms were used.

The Committee has asked for the relevant U.N. documents, but these are available only through the request of the State Department. Strangely enough, the Administration has been slow to

ask for the information. Last November 13th, I asked Secretary Baker to obtain the documents and provide them to the Committee. Thus far the Secretary has not responded-- has not made the request and has not explained why there has been no action on the part of the Administration. I include the November 13 letter in the Record.

It is unacceptable that the Administration will not obtain information that it needs to support its own policy. Neither has it assigned the personnel required to thoroughly evaluate its own documents concerning Iraq's weapons program and how it worked.

We know that Saddam Hussein came close to meeting his goals. We know that other nations are no doubt engaged in the same kind of activity, and that they must utilize sources of technology that are available only in this country. And yet, there is no apparent aggressive effort underway to learn the lessons that the Iraq episode offers, and to take the steps necessary to see that it does not happen again.

The documents I am submitting are a fair start toward necessary understanding. There is far more to be told. But today, I simply want my colleagues to know how Iraq worked, and to understand that the Administration has only a poor understanding of the facts, and that the Administration is doing little either to learn how to correct its mistakes or to ask the UN to provide the knowledge that it has developed.

In later reports, I will discuss other aspects of the Iraqi program, what our government knew, and how it responded. But for today, these are the essential facts:

1. Iraq determined early in Saddam Hussein's rule to become independent of Russian and Western sources for sophisticated weapons;

2. Iraq developed a carefully controlled system to develop and build chemical and nuclear weapons, and to build missiles capable of delivering those weapons;

3. Iraq used a clandestine procurement network in its efforts;

4. Iraq controlled companies in this country that supplied important support to the weapons program;

5. Iraq used U.S. companies in that effort;

6. The Commerce Department, with the acquiescence of other agencies, readily licensed the export of militarily useful goods to Iraq, even though it clearly knew or should have known what the real purpose was;

7. The President submitted an inaccurate report to the Congress concerning these matters; and

8. The State Department has thus far refused to obtain relevant information from the UN on the Iraqi weapons program, and moreover, like other agencies, seems to put a low priority on learning from this episode.

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FOR IMMEDIATE RELEASE

WASHINGTON, D.C., February 3, 1992 ---Chairman Henry B. Gonzalez said today that the House Banking, Finance and Urban Affairs Committee has "clear evidence" that dozens of U.S. firms provided "critical support to Iraqi weapons programs including missiles."

Mr. Gonzalez noted that President Bush issued a report to Congress in September, 1991, which concluded that U.S. firms did not contribute directly to Iraq's weapons capabilities.

In a letter to the President, the Banking Committee Chairman labeled the report "clearly inaccurate." He called on the President to submit a new report to Congress which would "reflect the true role played by U.S. companies and Federal agencies in permitting the transfer of technology and know-how to Saddam Hussein's war machine."

Mr. Gonzalez sent the President documents collected by the Committee that showed that U.S. firms were "directly involved in the development of a ballistic missile known as Condor II." He also cited evidence that U.S. firms were involved in two Iraqi missile programs -- under the code names Project 144 and Project 1728 -- used in the production of a modified Scud missile.

The evidence collected by the Committee is part of an ongoing investigation of the activities of the Italian-owned Banca Nazionale del Lavoro that loaned two billion dollars to the Iraqi procurement network.

In his letter to the President, Mr. Gonzalez said the investigation had been hampered by agencies of the Executive Branch. He said Secretary of State James Baker has refused to transmit to the Committee information on Iraqi weapons programs despite the fact that the data has been compiled by the United Nations and the International Atomic Agency. He said the Treasury Department failed to fully identify the procurement network as required by law. The letter was also critical of the Commerce Department for granting export licenses to firms supplying the Iraqi Technical Corps for special projects (TECO) which Mr. Gonzalez said was actively involved in missile projects. He said the Commerce Department had full knowledge of the military activities of the end user of the technology.

(Letter to President Bush attached.)

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January 31, 1992

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(202) 225-4247

Honorable George Bush
The President of the United States
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

On November 5, 1990, you signed into law the "Iraq Sanctions Act of 1990" as part of Public Law 101-513. The Iraq Sanctions Act contained a provision requiring you to conduct a study and report on the sale, export, and third party transfer or development of nuclear, biological, chemical and ballistic missile technology to or with Iraq. Pursuant to that Act, you issued a report to Congress in the Fall of 1991 concluding that U.S. firms did not contribute directly to Iraq's conventional and nonconventional weapons capabilities. The report to Congress is clearly inaccurate. In fact, numerous U.S. companies provided critical support to Iraqi weapons programs, including missiles.

Over the past year, the Committee on Banking, Finance and Urban Affairs has been conducting an extensive investigation of the activities of the Atlanta branch of the Italian government-owned Banca Nazionale del Lavoro (BNL). The Atlanta branch of BNL loaned over \$2 billion to an Iraqi military technology procurement network that was operating in the U.S. and Europe. The Committee has clear evidence showing that dozens of U.S. firms played a critical role in Iraqi weapons programs. The Committee has learned that responsible agencies have not thoroughly reviewed thousands of relevant documents because of inadequate resources.

For example, documents I am transmitting with this letter indicate that numerous BNL-financed U.S. firms were directly involved in the development of a ballistic missile known as the Condor II. The code name that the Iraqi government assigned to the Condor II missile program was "Project 395." The Committee has evidence revealing that over a dozen U.S. firms were directly involved in Project 395. The equipment and technology supplied by U.S. firms involved in Project 395 were used to construct part of the infrastructure (e.g. buildings, utilities, fortification, etc.) necessary for Iraq to mass produce the Condor II missile.

The Committee also has evidence indicating that U.S. firms were involved in several other Iraqi missile programs code named Project 144 and Project 1728. These programs both involved the production of a modified Scud missile. Several U.S. companies supplied materials for these projects. These are the same Scud missiles used during the Gulf War to attack both American troops stationed in Saudi Arabia and civilians living in Israel.

The Iraqi organization responsible for Project 395 and the Scud modification projects is called the Technical Corps for Special Projects (TECO). The Commerce Department approved numerous export licenses for U.S. and foreign firms even though TECO was listed as the end-user. Moreover, these licenses were issued despite the fact that the Commerce and State Departments had ample knowledge of TECO and its activities at the time these licenses were approved. The Committee has grave concerns about the export licensing process and is investigating how the Commerce Department could have approved such licenses to Iraq.

Various agencies within the Administration unfortunately have hampered the Committee's investigation of BNL and its role in funding Iraqi weapons of mass destruction. On November 13, 1991, I wrote to the Secretary of State, the Honorable James Baker, asking him to provide the Committee with information on American companies involved in Iraqi weapons programs which was compiled by the United Nations (U.N.) and the International Atomic Energy Agency (IAEA) after the cease fire with Iraq. To date, the Secretary of State has refused to supply the Committee with this data. In fact, Secretary Baker has refused to ask these organizations for this information.

In addition, the Iraqi technology procurement network in the United States has not been fully identified by the Treasury Department. At least one U.S. company, Tigris Trading, Inc., located in Pittsburgh, Pennsylvania, is owned by an Iraqi national, Safa Al-Habobi, who has been indicted for his role in financing the Iraqi war machine with the use of BNL loans. It is common knowledge that Al-Habobi was a major figure in the Iraqi military technology procurement network.

The Committee also has evidence indicating that there may be at least a half dozen additional Iraqi-controlled companies that have not been properly identified. These companies may still be operating as part of the secret Iraqi procurement network. At a minimum, these companies either wittingly, or unwittingly, offered the Iraqi government an ownership interest in their business.

Mr. President, in light of the findings of the Banking Committee, and the ever growing threat of countries like Iraq who are seeking to covertly develop weapons of mass destruction, I trust that you will do everything within your power to learn the full truth about the U.S. role in helping Iraq develop conventional and nonconventional weapons capability. The American people have a right to know the truth.

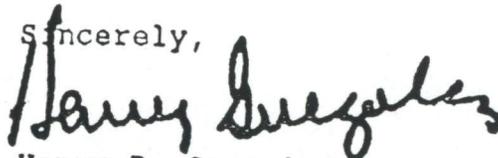
I also respectfully request that you instruct the appropriate agencies to be forthcoming in assisting the Committee with its investigation.

I feel certain that you will want to submit a new report to Congress that reflects the true role played by U.S. companies and Federal agencies in permitting the transfer of technology and know-how to Saddam Hussein's war machine.

Thank you for your time and consideration. I look forward to working with you to curb the international proliferation of technology and know-how necessary to build weapons of mass destruction.

With best wishes.

Sincerely,

A handwritten signature in cursive script that reads "Henry B. Gonzalez". The signature is written in dark ink and is positioned above the typed name.

Henry B. Gonzalez
Chairman

HBG:dk

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November 13, 1991

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BERNARD SANDERS, VERMONT

(202) 225-4247

Honorable James A. Baker III
Secretary of State
2201 C Street NW
Washington, D.C. 20520

Dear Secretary Baker:

The Committee on Banking, Finance and Urban Affairs is conducting an investigation of Banca Nazionale del Lavoro (BNL) which provided Iraq with over \$4 billion in loans during the latter half of the nineteen eighties. The Committee respectfully asks for your cooperation with this investigation.

Specifically, the Committee is investigating how BNL loans were used to provide Iraq with the technology and know-how necessary to produce weapons of mass destruction. To date, the Committee has identified over 200 beneficiaries of BNL loans to Iraq. Many of those companies have been identified as providing Iraq with the technology or know-how to produce conventional or non-conventional weapons.

As you are aware, United Nations Security Council Resolution 687 mandates the "destruction, removal or rendering harmless" of Iraq's weapons of mass destruction. The Committee has been in contact with the organizations responsible for achieving that mandate, the International Atomic Energy Agency (IAEA) and the United Nations Special Commission (U.N. Special Commission).

The IAEA and the U.N. Special Commission have both informed the Committee that they have compiled a list of companies, including numerous U.S. firms, that may have supplied Iraq with the technology and know-how necessary to develop conventional and nonconventional weapons. Both have stated that they are not authorized to provide the Committee with the names of these companies.

While the IAEA and the U.N. Commission did state that the "lists" are available to U.N. member countries, they informed the Committee that the United States Mission to the U.N. has not formally requested copies of the lists.

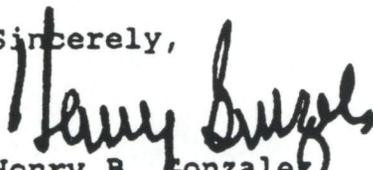
Why has the State Department failed to formally request a copy of the IAEA and U.N. Special Commission lists of U.S. companies that may have provided Iraq with the technology and know-how to develop weapons of mass destruction? The Committee understands that the IAEA and the U.S. Special Commission have not completed their work, but both the IAEA and the U.N. Special Commission have lists available at this time.

So that the Committee may learn more about the implications of BNL loans to Iraq, especially those used to enhance Iraq's weapons capability, please request the IAEA and the U.N. Special Commission lists and forward a copy of them to the Banking Committee by the close of business, November 22, 1991.

Questions regarding this request should be directed to Mr. Dennis Kane. Mr. Kane has a "Top Secret" security clearance from the Department of Defense and the Committee has a CIA-approved secured safe to protect the confidentiality of this information.

Thank you for your consideration of this request. The Committee looks forward to your timely reply.

Sincerely,



Henry B. Gonzalez
Chairman

HBG:dk

Attached is a document from the "Helmy" trial giving a brief overview of the Condor missile. By 1989, Iraq had begun development of its own version of the missile referred to as Project 395.

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DEFENSE INTELLIGENCE AGENCY

WASHINGTON, D.C. 20340-6163



FOUO-18,702/DT-5B4

19 SEP 1989

United States Attorney
Eastern District of California
Room 3305 Federal Building
United States Courthouse
650 Capitol Mall
Sacramento, CA 95814

SUBJECT: Assessment on the Activities of Abdel Kader Helmy, et al.
and the Egyptian/Iraqi Condor Missile Program

1. This office became aware of the activities of Dr. Abdel Kader Helmy and his associates in June 1988. Acting at the request of the U.S. Customs Service, DIA assisted U.S. investigators with technical and intelligence expertise in the area of missile technology and proliferation to the Middle East. As a result of the review of the documents provided to this office, DIA offers the following pertaining to the activities of Dr. Helmy's group.

2. The list of items/materials being sought by Dr. Helmy is entirely consistent with items necessary to support the manufacture of a ballistic missile. Specifically the chemicals, when combined into one list, are most likely to be found in a facility which manufactures composite solid propellant motors. The carbon based blocks and cones were most probably for use on the nose of the missile warhead. The carbon phenolic tape has numerous uses including the thermal wrap of rocket motor casings or nozzles, while the maraging steel is of the particular grade commonly used in rocket motor casings production. A review of the materials and the technical manuals which Dr. Helmy was obtaining can result in only one opinion, that Dr. Helmy was procuring materials to support the production of a ballistic missile.

3. The Egyptian Ministry of Defense, working with financiers from Iraq, have contracted with the Argentines to produce a ballistic missile capable of carrying a warhead of 500 kilograms up to 1000 kilometers in range. This missile is most commonly referred to as the "Condor" missile. The Condor missile meets the minimum criteria set forth in the Category I of the Missile Technology Control Regime (MTCR). The Condor program has been closely monitored by the seven member nations of the MTCR (United States, Federal Republic of Germany, France, Canada, Great Britain, Italy and Japan) who are responsible for monitoring world wide missile proliferation activities. This specific missile would represent a significant improvement over currently assessed missile capabilities of Egypt. DIA believes Dr. Helmy was procuring these materials for the Condor missile.

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4. The Condor missile program has been ongoing since at least 1984. The progress has been slow due in part to the lack of indigenous technology and the need to covertly acquire the technology/materials used in production of ballistic missiles abroad. The activities of Dr. Helmy are consistent with observed activities, sponsored by Egypt and Iraq, to facilitate the production of the Condor missile. Without the activities of Dr. Helmy, and his co-conspirators, in procuring restricted technology, completion of the Condor missile program is doubtful. Dr. Helmy's apparent willingness to provide critical materials necessary for the production of the Condor missile was important to the long term goals of establishing an indigenous ballistic missile production capability in Argentina, Egypt, and Iraq.

5. DIA believes that the introduction of a ballistic missile, capable of carrying conventional, chemical, or nuclear warheads, into either Egypt or Iraq would increase regional tensions and add further fuel to the regional arms race. Israel and Iran, the perceived adversaries of Egypt and Iraq, would most surely respond to these acquisitions in an escalating posture, by considering preemptive strikes, starting or accelertaing anti-ballistic missile programs or acquiring an equal or greater number of ballistic missiles. The potential regional destabilization which might have been caused by Dr. Helmy's activities would be damaging to U.S. interests and peace efforts in the region.



MICHAEL R. HIGGINS
Technology Security Intelligence
Analyst

cc:
GC

In the attached telex, the Technical Corps for Special Projects (TECO) informs the Iraqi front company in Cleveland, Ohio, called Matrix-Churchill Corporation, that a TECO delegation from Baghdad will arrive in the United States on August 6, 1988.

The reason for the TECO visit that August was to meet with over a dozen U.S. companies to discuss their involvement in a phase of Project 395 referred to as the Badush Project or the Badush Dam.

Project 395 is the Iraqi designation for the Condor II ballistic missile program.

1058 08/04 ;9
RCA AUG 06 0220+
MCC TI SOLN
+
MCC TI SOLN

0088

TLX NO. ((4203)) 6.8.1988

FROM : TECHNICAL CORPS FOR SPECIAL PROJECTS - PROJECT 395.
TO : MATRIX - CHURCHILL CORP - 5903 HARPER RD CLEVELAND, OHIO
SUB : BADUSH PROJECT

REF : OUR TLX NO. 3889 ON 20.7.88.
OUR DELEGATION IS ARRIVING WASHINGTON ON AUG. 6.1988 BY
(PA) FLIGHT (107) FROM LONDON. COMMERCIAL OFFICE OF THE
IRAQI EMBASSY IS ARRANGING ACCOMMODATION.
PLS CONTACT ALL MANUFACTURERS MENTIONED IN OUR A/M TLX.
AND INFORM THEM OF THE ARRIVAL OF THE DELEGATION ASK THEM
PLS TO CONTACT THE DELEGATION THROUGH THE COMMERCIAL OFFICE
OF THE IRAQI EMBASSY. THE FOLLOWING ADDITIONAL MANUFACTURERS
ARE ALSO TO RE CONTACTED BY YOU

1. MANRADTECH LLTD, USA
7147 PEBBLE PARK DRIVE
WEST BLOOMFIELD
M1 48033
PHONE : (313) 851-2226
TIME AND DATE OF DISCUSSION 9TH - AUG. 1988 (4 PM)

~~DRESSER HALLPAK DIVISION~~

~~P.O. BOX 240
PEORIA, ILLINOIS, 61650-0240
2300 N.E. ADAMS STREET
PEORIA, ILLINOIS 61639
PHONE : (309) 672-7000
TIME AND DATE OF DISCUSSION 9TH-AUG.1988 (9 AM)~~

3. DRESSER CONSTRUCTION EQPT.DIVS.
755 S MILWAUKEE AVENUE
LIBERTYVILLE, ILLINOIS 60046
PHONE : (312) 367-2000
TIME AND DATE OF DISCUSSION 9TH-AUG-1988 (10 AM)
4. DRESSER LEROI DIVS.
NORTH MAIN AVENUE AND RUSSELL RAD
P.O. BOX. 90
SIDNEY , OHIO 45365
PHONE : (513) 492-1171
TIME AND DATE OF DISCUSSION 9TH-AUG-1988 (9 AM)
5. LINCOLN ELECTRIC COMPANY
22601 ST. CLAIR AVENUE
CLEVELAND, OHIO 44117-1199
PHONE : (216) 481-8100
TIME AND DATE OF DISCUSSION 9TH-AUG-1988 (4 PM)

6. P. AND H
MAYFAIR ATRIUM BLDG SUITE 400
10400 WEST NORTH AVENUE
WAU-WATOSA
WISCONSIN 53226
PHONE. 414 256 7932
TIME AND DATE OF DISCUSSION 9TH-8-88 (3 PM)

7. MANNESMANN DEMAG CORP
CONSTRUCTION MACHINERY DIVISION
476 COUNTRY CLUB DRIVE
BENSEN VILLE, ILL. 60106
TEL. 312-7664 431
312-7664 906
TLX. 270452
FAX. 7667 549
MR. R. HAMMER
TIME AND DATE OF DISCUSSION 12TH-AUG-1988 (4 PM)

8. SUMITOMO CORPORATION OF AMERICA - HEAD OFFICE
345 PARK AVE. NEW YORK.
N.Y. 10134, U.S.A.
TEL. 212 207 0700
TLX 12311 (12311 SUMITOMO NYKA) WUD)
420516 (SUMISHO A 420516) (ITT)
FAX 212 688 1579
212 207 0456
TIME AND DATE OF DISCUSSION 11TH-AUG-88 (4 PM)

~~9. SUMITOMO CORPORATION OF AMERICA - WASHINGTON OFFICE
SUITE 703
1747 PENNSY LVANIA AVE . N.W.
WASHINGTON, D.C. 20006 U.S.A.
TEL 202 765 9210 - 3
TLX 89587 (SUMITOMO WSH) (WUD)
FAX 202 861 - 0690
TIME AND DATE OF DISCUSSION 11TH AUG.88 (4 PM)~~

10. LIEBHERR - AMERICAL
NEW PORT NEWS / VIRGINIA
TEL 804 245 5251
MR. STARMANS / MR. JACOBSEN
TLX 6711744 / FAX 804 245 5263
TIME AND DATE OF DISCUSSION 10TH-AUG-88 (9 AM)

11. EQUIPARTS INTERNATIONAL INC.
P.O. BOX 2.
ELIZAVILLE. N.Y. 12523.
TEL. 914 756 2891 / FAX 914 756 2979
MR. J.P. SINGH
~~TIME AND DATE OF DISCUSSION 12TH-AUG-88 (4 PM)~~

12. MACK TRUCKS, INC.
2100 MACK B2VD.
P.O. BOX M, ALLENTOWN
PA 18105
TEL. 215 439 3411
CABLE : WORLD SIDE ATW
TIME AND DATE OF DISCUSSION 12TH-AUG-88 (9AM)

13. RACCAR INTERNATIONAL (KENWORTH DIVISSION)
P.O. BOX 1518, BELLVUE , WASHINGTON 98009, USA
TEL. 206 828-8872 / TLX 683 - 8005
TIME AND DATE OF DISCUSSION 9TH-AUG-88 (3 PM)

Attached are samples of documents showing U.S. firms involved in Project 395.

The first page is a BNL letter of Credit listing the Project 395 and the Technical Corps for Special Projects (TECO) as the beneficiary of the letter of credit.

The second page is a sample of a shipping document listing TECO - Project 395 as the purchaser of the water treatment equipment from the U.S. firm.

The third is a telex from a U.S. truck manufacturer in communication with TECO-Project 395/Badoosh Dam.



EMCO ENGINEERING INC.

25 NORTH STREET, CANTON, MASSACHUSETTS 02021 U.S.A. TELEX: 924-326 CABLE: EMCO

INVOICE NO.	INVOICE DATE
00560	June 14, 1989

COMMERCIAL INVOICE

SHIP TO (SAME AS "SOLD TO" UNLESS OTHERWISE INDICATED)
 TECHNICAL CORPS. FOR SPECIAL PROJECT -PROJECT 395
 P.O. BOX 810 BAGHDAD, IRAQ
 P/ORDER NO. DAM/82/88
 TEL. 7720400+7720290

MARKS AS BELOW

SHIPPED VIA

1. PARCEL POST - SPECIAL HANDLING
2. 1ST CLASS MAIL
3. AIR PARCEL POST
4. AIR MAIL
5. AIR FREIGHT
6. MOTOR FREIGHT
7. OCEAN FREIGHT
8. UPS
9. SEE NOTE BELOW

F.O.B. POINT

1. U.S.A.
2. DESTINATION
3. FULL FREIGHT ALLOWED
4. U.S. PORT / AIRPORT
5. C & F DESTINATION PORT / AIRPORT
6. CIF DESTINATION PORT / AIRPORT
7. SEE NOTE BELOW

SOLD TO
 TECHNICAL CORPS. FOR SPECIAL PROJECT -PROJECT 395
 P.O. BOX 810 BAGHDAD, IRAQ
 P/ORDER NO. DAM/82/88
 TEL. 7720400+7720290

CUSTOMER'S ORDER NO.	DATE	TERMS	TAXABLE
DAM/82/88		CENTRAL BANK OF IRAQ, BAGHDAD L/C # 89/3/16	<input type="checkbox"/> YES <input type="checkbox"/> NO
SHIPPED VIA	F.O.B.	SALESMAN / TERRITORY	
			SHIPPED IN 1 X 40' CONTAINER FROM U.S.A. PORT TO TURKISH PORT, MERSIN, BY SEA INTRANSIT TO MOUSL IRAQ.

ITEM	QUAN.	DESCRIPTION	UNIT PRICE	AMOUNT
1.		PARTIAL SHIPMENT OF: WASHE AND WATER TREATMENT EQUIPMENT C & F MOUSL. SHIPPED IN ACCORDANCE WITH CENTRAL BANK OF IRAQ, IRREVOCABLE LETTER OF CREDIT NO: 89/3/16 & BANCA NAZIONALE DEL LAVORO, ATLANTA GA ADVICE NO 11862. <u>SHIPPED AS FOLLOWS:</u> 1 X 40' CONTAINER CONTAINING 172 PCS, PKGS BDLs, SKIDS WATER TREATMENT EQUIPMENT (COMPLETE BREAKDOWN & ITEMIZATION ON ATTACHED PACKING LIST) CONTAINER NO: OCLU 109150-2, SEAL NO: 5173, BILL OF LADING NO: TFEI INT017 034582, SHIPPED VIA SL INTEGRITY V 17E FROM BOSTON MASS TO MOUSL VIA MERSIN. TRANSHIPMENT VIA UNITED KINGDOM. GROSS WEIGHT: 11,500 LBS (5216 Kgs) NET WEIGHT: 10,695 LBS (4851 Kgs) OCEAN FREIGHT CHARGES INCLUDED IN ABOVE C & F VALUE \$4160.00 COUNTRY OF ORIGIN OF MERCHANDISE: UNITED STATES OF AMERICA COUNTRY OF MANUFACTURER: UNITED STATES OF AMERICA (U.S.A.)		\$588,718.70 C & F MOUSL

THESE COMMODITIES LICENSED BY THE UNITED STATES FOR ULTIMATE DESTINATION GOODS ARE OF U.S.A ORIGIN DIVERSION CONTRARY TO U.S. LAW IS PROHIBITED

RESTRICTED CERTIFIED TRUE AND CORRECT
 EMCO ENGINEERING INC.
 AUTHORIZED SIGNATURE

14. GROVE MANUFACTURING CO. DIVISION OF RIDGE, INC.
1000 MAIN ST. - P.O. BOX 21, SHADY GROVE, PA 17256
TEL. 717 597 8121 / TELEX 842308
TWX. 510 650 3580 / FAX. 717 597 9082
TIME AND DATE OF DISCUSSION 8TH-AUG-88 (3PM)

15. CATERPILLAR TRACTOR CO.
100 N.E. ADAMS, PEORIA, IL 61629
TEL. 309-675-1000
TIME AND DATE OF DISCUSSION 8TH-AUG.88 (9AM)

16. INGERSOLL RAND CO. TOOL GROUP- INTERNATIONAL,
200 CHESTNUT RIDGE RD., WOOD CLIFF LAKE,
NJ 07675 TEL. 201 573 0123 / TLX. 134357.
TIME AND DATE OF DISCUSSION 11TH-AUG-88 (3PM)

17. DYNAPAC MANUFACTURING, INC.
P.O. BOX 368E, STANHOPE,
NJ 07874 TEL. 201 347 0700 / TLX 136481 DYNSTPE
FAX. 201 347 7410
TIME AND DATE OF DISCUSSION 12TH-AUG-88 (3 PM)

18. GENERAL MOTOR CO. CANADA
TLX 021 698 1424 GMMD OSH
MR. LA SANDE, DIRECTOR MARKE THING AND SALES
CANDIEN EXPORT OPERTION G.M. CANADA.
TEL 416-644 6158
MR. GD. TORNTOU, GENERAL DIRECTOR (PRESIDENT)
TEL. 416 644 3350
TIME AND DATE OF DISCUSSION 10TH-AUG-88 (3 PM)

19. TEREX DIV.
5400 3 DARROW RD. HUDSON, OH 44236 USA
TEL. 216-650-5000 / TWX. 810-437-2353
MR. PETER BASAR, DIRECTOR - SALES
216 562 7542 HOME PHONE
216 650 5903 OFFICE (DIRECT LINE)
MR. MIKE HINSHAW - EXPORT SALES MGR.
216 864 0939 HOME PHONE
216 650 5918 OFFICE (DIRECT LINE)
MR. BOB ARMSTRONG - EXEC V.P.
216 650 6555 HOME PHONE
216 650 5212 OFFICE (DIRECT LINE)
TIME AND DATE OF DISCSSION 11TH-AUG-88 (9 AM)

MANY THANKS. YR COOPERATION.
BEST REGARDS.

COMM. MANAGER

*
MCC TI SOLN

12 12 143 TECO IK
MO+
MCC TI SOLN

25661 TMGTD G+
MCC TI SOLN

TIME AND DATE OF DISCUSSION 11TH-AUG-88 (9 AM)
MCC TI SOLN
1000. ME21 NORTH WARMDE

M185

TX-DDD 0037 00/15/00
M181EASYLINK
ID700 EID511280 WHO.MACMUTUAL FUNDS! Get latest price of any fund. Open-end, closed-end.
Check past price performance. Even look up symbol. Type EXIT INFO5667566A 3AUG89 09:21 EST
PTS/NTF
/WUW 943212143(212143)+

3 AUG 1989

ATT: ABDUL RAHEEM - COMMERCIAL MGR
STATE MACHINERY TRADING CO.
TECO PROJECT 395 - BADOOSH DAM
P.O. BOX 2218
BAGHDAD, IRAQWE ARE READY AND PREPARED TO SHIP THE SPARE PARTS, SPARE TIRES AND
SPARE RIMS FOR THE BADOOSH DAM PROJECT IN MOSUL. WE WOULD LIKE TO
SHIP THEM TO YOU (C & F MERSIN) AS SOON AS POSSIBLEIN ORDER FOR US TO SHIP THESE SPARE PARTS TO YOU, WE NEED TWO THINGS
FROM YOU;

1. AN EXTENSION OF LETTER OF CREDIT NO. 88-3-3201
2. YOUR AUTHORIZATION FOR MACK TRUCKS TO SHIP THE PARTS AS QUOTED
TO YOU BY MIKE FEENEY, C & F MERSIN
3. YOUR AUTHORIZATION FOR MACK TRUCKS TO SHIP THE SPARE TIRES AND
SPARE RIMS WITH THE SPARE PARTS

SINCE THERE REMAINS USD 394,477 IN THE LETTER OF CREDIT. THERE IS
MORE THAN ENOUGH MONEY FOR THESE SPARE PARTS, RIMS AND TIRESWE SHOULD BE ABLE TO SHIP APPROXIMATELY 90 PERCENT OF THE SPARE
PARTS, TIRES AND RIMS WITHIN THIRTY DAYS OF YOUR AUTHORIZATION TO
SHIP. SOME PARTS, HOWEVER, WILL REQUIRE MORE TIME TO OBTAIN AND SHIP
FOR THIS REASON. WE KINDLY REQUEST YOU EXTEND THE LETTER OF CREDIT
UNTIL 31 DECEMBER 1989WE RECOGNIZE THE IMPORTANCE OF THESE PARTS TO THE SUCCESS OF THE
BADOOSH DAM PROJECT. WE WILL DO ALL IN OUR POWER TO GET THEM TO YOU
AS SOON AS WE CANEST RGDS
D BOSCH
DISTRICT SUPERVISOR - MIDDLE EAST
MACK TRUCKS INC 847496
MM
AM

DEATED 3667566A

In the attached telex, Mannesmann Demag in Dusseldorf, Germany is informing Mannesmann U.S., in Illinois, that TECO is responsible for the "Badush Dam" portion of Project 395. The telex identifies TECO as being in charge of the Iraqi army working on the project. It also refers to Matrix-Churchill as the Cleveland, Ohio office of TECO and indicates that BNL is providing \$100 million for the "Badush Project."

RECEIVED JUL 28 1988

RCA JUL 28 07580
USA DBM RCVL

85R1376 DBM D
054/001 COMPUTER-MESSAGE
TLX-NO 00954/05 28/JUL/88 13:59H

(7643T)
FROM MANNESHANN DEMAG BAUMASCHINEN, DUESSELDORF
TO MDC BENSEVILLE, U.S.A.

ATTN. MR. SOREN JANSEN

RE.: PROJECT IN IRAQ 'BADOSH DAM'

SINCE APPR. 1,5 YEARS, WE ARE FOLLOWING UP THE A.M. PROJECT.
THE CUSTOMER, IN CHARGE OF THE IRAQI ARMY, IS:

TECHNICAL CORPS FOR SPECIAL PROJECTS
PROJECT 395
P.O. BOX R10

BAGHDAD / I R A Q

OUR MR. HOLLE IS STILL IN BAGHDAD TO DISCUSS THIS PROJECT WITH TECO
AND HE GAVE US TODAY THE FOLLOWING INFO ABOUT THE LATEST
DEVELOPMENT:

- 1) THERE IS A FINANCING FACILITY EX USA AVAILABLE ('BANCO DI
LAVORO' OR 'BANCO DI LABORO' IN BALTIMORE/USA)
GRANTING US-DOLLAR 100 MIO ESPECIALLY FOR BADOSH PROJECT. BADOSH
MANAGEMENT GIVES PREFERENCE TO THIS FACILITY.
- 2) UPON DIRECTIVE OF THE 'HIGHER AUTHORITIES' IN IRAQ A BADOSH
DELEGATION WILL TRAVEL TO USA, CLEVELAND/OHIO AND OTHER CITIES
ON 01.08.88 AND WILL DISCUSS SUPPLIES WITH MANUFACTURERS.
AN OFFICE OF TECO HAS BEEN ESTABLISHED THERE, TLX NO 987.471,
ATTN: MR. ARULRAHIM/ COMMERCIAL MANAGER). THEY ARE AUTHORIZED TO
SIGN CONTRACT FOR EXCAVATORS, CRANES, COMPRESSORS, DRILLING
EQUIPMENT AND LOW BED TRAILOR.
- 3.) LIEBHERR OFFERED TECO R 984 AND R 942, MANUFACTURED IN U.S.A.
- 4.) OUR PART FOR THIS PROJECT IS:
 - 3 X H 40 G
 - 6 X H 40 BACKHOE
 - 5-8 X H 85 BULLCLAM
 - 9 X AC 125
 - 30 X AC 105
 - 2 X AC 265 S
 - 2 X AC 335
 - 2 X HC 190-4
 - 2 X HC 340

WE WOULD APPRECIATE IT IF YOU COULD LET US KNOW THE FOLLOWING:

IS THE CREDIT ONLY DETERMINED FOR PURCHASE OF U.S. ORIGINE
EQUIPMENT OR IS IT POSSIBLE THAT OUR PORTION OR PART OF PORTION
COULD BE INCLUDED IN THE CREDIT.

PLEASE SEND US THE INFORMATION IF POSSIBLE UNTIL TOMORROW.

THANKS AND KIND REGARDS

D. MAJER - EXPORT DEPARTMENT

NNNN
USA DBM RCVL

85R1376 DBM D

Attached is an excerpt from an April 5, 1990 West German government intelligence agency (BND) report on Iraq. Note that Project 395 is called Condor II or Bader 2000.

engine. During the test only the first stage was ignited. It is possible that the second and third stages were dummies.

2.2 Solid-Fuel Technology (Project 395)

Project 395 has been conducted under the general management of the TECHNICAL CORPS FOR SPECIAL PROJECTS (TCSP). This project involves an ambitious projectile development program based on the Argentinean CONDOR-II technology. The program is supposed to be realized in close cooperation with the special organization, the ARAB LEAGUE INDUSTRIAL DEVELOPMENT ORGANISATION (ALIDO), with its headquarters in Baghdad.

2.2.1. Projectiles

The two-stage projectile is 10.30 meters in length and 0.80 meters in diameter; it weighs approximately 4,800 kilograms. Unlike the Argentinean CONDOR-II, which has a solid-fuel engine in the first stage and a liquid-fuel engine in the second stage, Iraq favors solid-fuel engines in both stages. With this configuration, the payload is supposedly 350 kilograms, and the range approximately 1,000 kilometers.

The further development and future production of the liquid-fuel engine of the second stage is being pursued in tandem with this, however. There is evidence that the two-stage projectile could be equipped with this engine as a third stage. Such a rocket would then be intended as a space delivery vehicle for limited payloads.

Name	Date
Jane Baker	3/23/92

Attached is a telex from Hussain Kamil, son-in-law of Saddam Hussein, wishing to the employees of BNL-Atlanta a happy Easter holiday.

\$\$\$\$ INIZIO \$\$\$\$ A:R8027 . TELEX015.DAT
RX-DD2 1110 EST 03/26/89
4979333 BNL UI

MAR 26 1989 1114
4979333 BNL UI
213670 SAFAN IK
4979333 BNL UI

4979333 BNL UI

FOR THE ATTENTION OF MR. C. DROUGOL I WOULD LIKE
TO EXPRESS MY GREETINGS AND PERSONAL GOOD WISHES FOR
YOU AND YOUR FAMILY AND ALL ALL YOUR STAFF AT DEL LAVORO BANK-ATL
ANTA
ON THE OCCASION OF THE EASTER FESTIVITIES . WISHING YOU ALL HAPPY
NESS
GOOD HEALTH AND PROSPERITY.

HUSSAIN KAMIL HASAN
THE MINISTRY OF INDUSTRY AND MILITARY
PRODUCTION

4979333 BNL UI

4979333 BNL UI
213670 SAFAN IK
4979333 BNL UI

4979333 BNL
THEY DISCONNECT
Elapsed time 00:01:48

Attached are Customs Service memos indicating BNL is suspected of having supplied financing for the Condor II ballistic missile



DEPARTMENT OF THE TREASURY

U.S. CUSTOMS SERVICE

ATLANTA, GEORGIA

September 21, 1989

Honorable Robert L. Barr, Jr.
United States Attorney
Northern District of Georgia
1800 Richard B. Russell Building
75 Spring Street SW
Atlanta, Georgia 30335

Dear Mr. Barr,

As you are aware, the U.S. Customs Service, Office of the Resident Agent in Charge, Atlanta, Georgia is involved in a joint investigation with the Federal Bureau of Investigation, Internal Revenue Service, Department of Agriculture, Defense Criminal Investigative Service and Examiners of the Federal Reserve Bank of Atlanta relative to the financial/banking and exporting activities of Banca Nazionale Del Lavoro (BNL-Atlanta), 235 Peachtree Street, N.E., Atlanta, Georgia. The crux of this investigation involves BNL-Atlanta's extension of unauthorized credit in excess of 2.6 billion dollars to American, British and German companies involved in trade with Iraq. The commodities involved are suspected to include shipments of agricultural products, industrial machinery, military-type technology and various controlled chemicals. In addition, BNL-Atlanta is suspected to have provided loans to various U.S. firms for the illegal export to Iraq of missile related technology to be used in the Condor II Project.

Memorandum

DATE: OCT 20 1989

FILE: ENF-1-E:EO:ST:M JLL

TO : Assistant Commissioner
Office of Enforcement

FROM : Director
Strategic Investigations Division

SUBJECT: BANCA NAZIONALE del LAVORO [REDACTED]

The above cited case, currently under investigation by the Office of the RAC/Atlanta, is a multi-agency task force operation involving several jurisdictions. The BANCA NAZIONALE del LAVORO, (BNL) is an Italian international banking firm with branch offices in numerous countries and cities to include Atlanta. BNL Atlanta's primary business, is the funding of export goods and commodity transactions. The case was opened as the result of allegations that two Atlanta based executives of the firm had provided 2.6 billion dollars in unauthorized and uncollateralized loans to American, British, and Italian firms involved in trade with Iraq and other countries. In addition, BNL is suspected to have provided loans to various firms for export to Iraq of missile related technology for use in the Condor II project.

At present, the agencies involved, in addition to Office of Enforcement, U.S. Customs Service, include Office of Foreign Assets Control, U.S. Treasury, The Federal Bureau of Investigation, The Internal Revenue Service, U.S. Department of Agriculture, Defense Criminal Investigative Service, and Examiners of the Federal Reserve Bank.

Coordination and control of the Task Force emanates from the Office of the U.S. Attorney, Atlanta. Present indications are that in addition to violations of laws within the jurisdiction of the agencies cited above, violations of The Export Administration Act, The Arms Export Control Act and Foreign Assets Control Regulations have taken place.

Attached are some German press accounts of the Iraqi missile program including Project 395 and other programs.



SOURCE: NDR-Zeitgeschichtliches Panorama, Rosmarin Prod.

Division 425
Author: Att. Nielsen

Appendix 1
Bonn, January 4, 1990

MEMORANDUM

The following items can be retained from the December 22, 1989 internal discussion at the Foreign Office, occasioned by the December 5, 1989 launching of the Iraqi space flight vehicle and concerning the Iraqi strategic arms program and involving Departments 311, 424, 425, and 431, as well as a representative of German Intelligence:

I. Rockets:

The BND /i.e., German Intelligence Service/ had the following information about the space flight vehicle launched on December 5, 1989: The vehicle had a SCUD-based fluid drive. The initial stage consisted of four or five bundled, modified SCUD missiles. The second stage consisted also of a SCUD missile, while the third stage had an SA-2 drive. Only the first stage was able to function. Although the third stage got into orbit, it could not manage to stay there because of its insufficient thrust. The launching pad, located 230 km southwest of Baghdad, was discovered by the U.S. on December 6, 1989.

The BND reported further Iraq was working on a total of five rocket projects. One-by-one these are:

a) Missile Project 395, corresponding to Project Condor II (Argentina) and BADR 2000 (Egypt). This missile was to be built first as a two-stage rocket (solid fuel technology). A three-stage version was being discussed as a variation on this, where the first and second stages were to be equipped with solid fuel engines and the third stage with a fluid drive.

The infrastructure for building these rockets was available, but production had not yet begun. Obviously, further technical support from the Consen Group was..../remainder of text missing/.

b) Al-Hussein, range 650 km, maximum load 350 kg, drive life: 80-90 seconds, base: SCUD

c) Al-Abbas, range 900 km, drive life: 150 seconds, base: SCUD

d) and e) Project 144 with Supplementary Project 1728: Iraq was planning additional ground-to-ground missiles which would have a range of 1200 to 2000 km, be based on SCUD

technology, and run on liquid fuel propellant as they had not yet had much experience with solid fuel propellants. The BND believes that, on the whole, because of their inadequate maximum loads, these missiles were probably incapable of carrying nuclear warheads.

The BND estimates that the Al-Abass missile, currently in development, poses the greatest threat. It could theoretically be provided with a nuclear warhead and has a target precision of 1.5 km (on Iraq's nuclear capability cf. below III).

II) Involvement of German companies:

The BND reported that it had been informed by the Israeli secret service about possible participation by German companies in Projects 144 and 1728. Both projects aimed at modifying SCUD technology. According to existing information the Havert Industrie Handelsgesellschaft GmbH (Neu-Isenburg) and the Heinrich-Müller GmbH (Wendelstein) companies were participants in Projects 144 and 1728. In Iraq, both projects were assigned to the following companies:

- Nassr State Enterprise
Research and Development Center
Project 1729
Taji - Baghdad/Iraq
- Al Qaya State Establishment
Project 144
Baghdad/Iraq

According to a report made by the Regional Office in Frankfurt am Main, these German companies had signed contracts valued at 2,607,500.00 DM for delivering 35 "High/Low Pressure Units" to Project 144. According to a BND statement on December 12, 1989, the federal government assumed a manufacturing risk guarantee for Project 144 amounting to 1,543,500.00 DM. The assumption of surety was done with the agreement of the Minister of Finance and with the understanding of the Minister for Economic Cooperation. No guarantees were assumed for Project 1728.

The BND further reported on the Consen Group's participation in Project 395. The contracts were negotiated through Taurus, an affiliate in Salzburg. The contract, no. 11-01, (documentation for the initial stage, value: 18 million DM), was fulfilled. Contract 11-10, worth 20 million DM referred to production of stage one. In addition, technical support amounting to 19 million DM during operations was planned.

(For information concerning the participation of the H+H Metallform GmbH company in Drensteinfurt, see enclosure #3).

III) Iraq's Nuclear Capability:

RL 431 gave an overview of the extent of Iraq's commitment in the nuclear sector. Iraq signed the Non-Proliferation Treaty and was subject to the IAEO's full-scope safeguards. As the Baghdad Embassy has expressed its suspicions that Iraq is not meeting its obligations, it

must be stated that these suspicions do not suffice to prove an Iraqi violation of its international obligations. Caution should be exercised before accusing Iraq of failing in its commitment under the NPT because this could affect the administration of the treaty. A closed fuel cycle is quite beyond Iraq's present capabilities.

IV) Iraq's Chemical and Biological Weapons Capabilities:

Department 424 stated that the "Australian Group" had information that Iraq was intent on producing biological weapons. No one could be certain as to the extent to which the Iraqis had succeeded, if at all. Production plants for the manufacture of biological weapons had been put on the German Export List, Section E No. 3001.

Department 424 also stated that it must be assumed that Iraq was capable of producing chemical weapons without foreign assistance. Precursor products not manufactured in the country... /text ends here/.

Panorama No. 466, January 29, 1991

SCUD MISSILES AGAINST ISRAEL

COMMENTARY:

Tel Aviv after a missile attack. Bloodhounds are searching for those who have been buried alive. There is a missile alert nearly every night. As of yesterday evening Iraqi troops had fired off 25 SCUD missiles at Israel; a total of four dead, 190 injured. Just as many missiles were fired on Riad and Dharhan. There, at present, one dead and 35 injured.

Even the American Patriot missiles -- this is a deployment over Riad -- can't offer complete protection in spite of their great precision.

Militarily, the SCUD attacks are worthless. The missiles carry no more than 350 kg of explosive -- much too small to destroy any military target, such as an air base. Even its precision, with a scatter radius of one and a half kilometers is militarily useless. The missile attacks are aimed at only the civilian population.

A Soviet SCUD missile on maneuvers, actually a military fossil, medieval and complicated. It is not the Soviet SCUD which is being used to menace Israel -- its 300 km range is much too limited. Israel is being menaced by a later model, the El Hussein.

Here are some pictures of the SCUD successor-missile taken secretly by refugees. Iraq is proudly showing the El Hussein, range 650 km, far enough to reach Israel, and another, the El Ahabas, with an even greater range of 900 km, at an armaments exhibition. But the Iraqi arms industry would never have been able, on its own, to increase its range.

Saddam's generals needed some partners. They found them in Germany. The Inwaco company, headquartered in Bonn, is currently under investigation. The company director is keeping quiet, not a word about any missile deals. The Harvert company in Neuisenburg near Frankfurt is also under investigation, but even this company is denying any connection with the missile deal. /They claim/ that a freelance employee of theirs had acted without the company's knowledge. According to intelligence services, Harvert and Inwaco are supposed to have been two of Iraq's general contractors. As such they are said to have procured missile components from some 20 other companies, such as the Firma ABA in Stutense bei Karlsruhe, H&H-Metallform, Leifeldt & Co., Heinrich-Müller GmbH, and Gräser GmbH. The items in questions were valves, injectors, and bottling tanks.

Darmstadt Attorney General
GEORG NAUTH:

"The accused are suspected of having supplied Iraq from 1987 until 1989 with bomb hangers /*Bombenhänger* word not found elsewhere/ -- these are components with which bombs can be stored under the wings -- special components for fuel regulation, and guidance parts for missiles."

COMMENTARY:

Large numbers of files were confiscated last week from the Harvert company. The Bureau of Customs Crime Investigation /reports/ on the first results from the investigations concerning missile export:

Cologne Bureau of Customs Crime Investigation
KARL-HEINZ MATTHIAS:

The documents that were confiscated are currently being studied. They are very comprehensive, filling more than 250 binders. At present it looks as if the suspicion is being confirmed that the suspected companies bought up components for missile drives here and then exported them without a license, although these things require a license."

COMMENTARY:

The shipments were apparently made via the Frankfurt Airport -- directly with Iraqi Airways. The companies are disclaiming that they shipped any missile components, only machine parts, they say, that is, for civilian, not military purposes. No complicity with Iraq's missile program?

This is the original plan from an Iraqi .../remainder of sentence missing/
But when you compare the Iraqi original with these maintenance manuals for the El Hussein precursor SCUD, which were found last year with the NVA /*Nationale Volksarmee*, i.e., the army/ in East Germany, the similarities are more than apparent. This is a reduction valve for the rocket engine.

Even superimposing the images gives the same impression. The red is the industrial blueprint, the black is the NVA's blueprint. A preliminary view of the confiscated files would seem unequivocal: German companies not only supplied replacement parts for the SCUD, but played a decisive role in increasing its range.

KARL-HEINZ MATTHIAS:

"Well, at the moment, I can't tell you just how much its range could be increased, but there is some indication that the missile drive system was modified according to Iraqi designs."

COMMENTARY:

And here are the consequences -- increasing the range of the Iraqi El Hussein to 650 kilometers and the El Abbas to 900 kilometers -- the precondition for Saddam's missile attack on Israel.

And these are not just the effects of an Iraqi terrorist attack, but the direct consequences of German entrepreneurial activity, and the Israelis are very much aware of this.

Prof. Daniel Leschem
Dayan Institute, University of Tel Aviv

is a military expert who believes that it was several German companies who put Iraq in a position to hit Israel, i.e., Israel's inhabited regions, with his missiles.

Prof. Leschem does not believe that it was only a few white collar criminals who knew about this. The German Government itself should have long since been aware of these transactions, he notes bitterly.

The German Government has known about missile technology exports since mid-1989 at the latest.

In a confidential report to the German Government last August concerning the participation of German companies in delivering arms to Iraq, this is called clearly by name. Participation by these companies was well-known as much as a year before the outbreak of the Gulf War. And even then, the same company names were cited in connection with the modernization of Russian SCUD missiles - quote:

"These are mid-level German businesses, such as the Harvert Handelsgesellschaft, Inwaco, Müller, Gräser GmbH, or Härtel."

The Iraqi code names for this missile modernization were also well-known: Project 144 and Project 1728.

The Federal Bureau of Economics in Eschborn was informed of these code names, but, nonetheless, the companies involved continued to be issued so-called "negative certificates" -- i.e. certificates of non-objection for exporting missile components. The examiners thought the components were just normal pumps. A bureaucratic mistake.

Arms companies like MBB are frequently reproached with making illegal exports, but sometimes they are really legal. In a paper written by the Ministry of Economics on the SAD 16 missile test project it says concerning MBB's participation:

"The biggest German subcontractor was MBB, which had obtained electronic equipment from Hewlett Packard and electronic test instrumentation from Viltron, both U.S. companies. Even the U.S. had expressly approved shipments for this missile project."

The paper continues laconically:

The Federal Bureau of Economy granted export licenses for the SAD 16 from 1985 to 1987, because it was assumed at the time that it was a research project at the University of Mossul....

Last page is a fragment. The stamp on the left, mostly illegible, is a copyright warning. The first part of the accompanying text on right is missing/... would not have been able to reach Israel without the help of German companies -- why, will be explained to you by Andreas Orth.

*Translated by
David Skelly
CRS - Language Services
April 3, 1991*

Name	Date
Larry Neubauer	8/24/92

Council 113 DEOB