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WHITE HOUSE  
CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
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Date Correspondence Received (YY/MM/DD) 1/1



Name of Correspondent: Alan Raul

MI Mail Report User Codes: (A) \_\_\_\_\_ (B) \_\_\_\_\_ (C) \_\_\_\_\_

Subject: Gonzales statement on Iraq Gate and BUL  
July 21, 1992

ROUTE TO:	ACTION	DISPOSITION
Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD
<u>CUOFC</u>	ORIGINATOR	<u>920723</u>
	Referral Note:	<u>C 921022</u>
<u>CUAT 07</u>	<u>A</u>	<u>920723</u>
	Referral Note:	<u>see comments</u>
<u>CUORAY</u>	<u>I</u>	<u>920723</u>
	Referral Note:	<u>C 920723</u>
<u>CUator</u>	<u>I</u>	<u>920723</u>
	Referral Note:	<u>C 920723</u>
		<u>1/1</u>
	Referral Note:	<u>1/1</u>

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ACTION CODES:

- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure
- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:

- A - Answered
- B - Non-Special Referral
- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

Comments: CLOSEOUT - 10/22/92 CS

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## PRESIDENTIAL REPLY

Code	Date	Comment	Form
_____	_____	_____	_____
C	_____	_____	P.
	_____	_____	_____
DSP	_____	_____	Media:
_____	_____	_____	_____

### SIGNATURE CODES:

- Cpn - Presidential Correspondence
- n - 0 - Unknown
- n - 1 - George Herbert Walker Bush
- n - 2 - George Bush
- n - 3 - George
- Cln - First Lady's Correspondence
- n - 1 - Barbara Bush
- n - 2 - Barbara
- n - 3 - Bar
- n - 4 - Mrs. Barbara Bush
- Cbn - Presidential & First Lady's Correspondence
- n - 1 - Barbara & George Bush
- n - 2 - Barbara & George

### MEDIA CODES:

- B - Box/package
- C - Copy
- D - Official document
- G - Message
- H - Handcarried
- L - Letter
- M - Mailing
- O - Memo
- P - Photo
- R - Report
- S - Sealed
- T - Telegram
- V - Telephone
- X - Miscellaneous
- Y - Study

DATE: July 23, 1992

ATTN: C. Boyden Gray  
The White House

FAX NO: 456-6279

FROM: Alan Charles Raul  
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USDA

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There are 2 pages to this document, including the cover sheet. Please call the above telephone number if any of these pages is not received or is illegible.

Thank you.

July 21, 1992

## CONGRESSIONAL RECORD—HOUSE

H 6339

not think our leadership has discovered anything to correct. I see evidences of these practices continuing with respect to other countries that possibly will be very embarrassing and certainly costly to our Treasury in the case of other countries right now.

Specifically, I would like to explore BNL's link to Iraq's military effort, including its role in funding Iraq's secret military technology procurement network, a very intricate, a very astute, a very infinitely thought-out procurement network.

This probe will also expose the Bush administration's policy of arming Iraq, despite the President's blatant declaration that the United States did not enhance Iraq's military capability.

I will begin by outlining some of the committee's major findings. I will then lay the foundation for a detailed look at BNL's role in arming Iraq by illustrating that the Bush administration knew of Iraq's intentions to become a military superpower and the United States policy that facilitated that plan.

The President has repeatedly claimed that his policy toward Saddam Hussein was "to encourage Saddam Hussein to join the family of nations." He denounced those who suggest that the policy gave Iraq access to "bombs or something of that nature."

But the truth is different. The administration knew a great deal about Saddam Hussein's military procurement program and made a conscious decision to tolerate it, and in many cases facilitated the effort. The Bush administration knew that Saddam Hussein was working on nuclear weaponry, and it also knew that some of the exports it approved were destined for nuclear establishments. The concept seems to have been to play along, let Saddam Hussein get U.S. technology for his weapons programs, and take the risk that he could be controlled.

To say the least, this was a very confusing policy. It meant winking at the Iraqi nuclear program, letting it slide, but not too far.

Mr. WALKER. Mr. Speaker, I demand the gentleman's words be taken down.

□ 2048

The SPEAKER pro tempore (Mr. TORRES). The Clerk will report the gentleman's words.

Mr. GONZALEZ. Mr. Speaker, I ask unanimous consent to delete the sentence to which the gentleman objects. I will certainly abide by the rules of the House.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

The SPEAKER pro tempore. Without objection the words are stricken. The gentleman may proceed in order.

Mr. GONZALEZ. Mr. Speaker, the President's explanations as given thus far are not in conformity with the documentation that I am about to present, and the facts as we have adduced them

in the course of this discussion and investigation by the committee.

A November 21, 1989, State Department memorandum discusses a CIA briefing received the day before on Iraq's nuclear program, and discusses how to proceed on licensing exports that could be used in Iraq's nuclear program. The memorandum states, and I quote:

We are still left with no clear indication of how to proceed on the majority of cases.

It further states, and I quote:

The problem is not that we lack a policy towards Iraq. We have a policy. However, the policy has proven very hard to implement when considering proposed exports of dual use commodities to ostensibly nonnuclear end users, particularly state enterprises.

The memorandum goes on to say how the policy permitted the approval of licenses for only benign equipment needed for nuclear medicine and the like. The memo further states, and I quote:

U.S. policy as confirmed in NSD 26 has been to improve relations with Iraq, including trade. Also U.S. policy precludes approval of munitions-controlled licenses for Iraq. Exports of dual use commodities for conventional military use may be approved.

In other words, while the policy did not permit the sale of bombs or something of that nature that would blow up, it clearly allowed the sale of the equipment needed to make them. The administration knew what Saddam Hussein was doing. The policy was to tolerate it up to some unknown and as yet undetermined point.

Again, the memorandum discussed the disjointed policy, and I am going to quote from it:

Complicating factors in decision-making include, one, a presumption by the intelligence community and others that the Iraqi Government is interested in acquiring a nuclear explosives capability; two, evidence that Iraq is acquiring nuclear-related equipment and materials without regard for immediate need; three, the fact that state enterprises are involved in both military and civilian projects; four, indications of at least some use of fronts for nuclear-related procurement; five, the difficulty in successfully demarcating other suppliers not to approve exports of dual-use equipment to state enterprises and other ostensibly non-nuclear end users.

What this does not explain, and apparently maybe those intricacies were lost sight of, as in the case of the Italian bank, when we talk about a bank like the BNL we are not talking about an American bank, private, non-government. The BNL was owned by the Italian Government. Most of the banks are that are here in international banking from other countries.

In the case of state enterprises, here is a case where the Central Bank of Iraq is receiving these letters of credit and loans from BNL. Now the confusion that I think some administration spokesmen have deliberately tried to maintain is to try to say that the OCC guaranteed credits were used for direct military procurement. That is not the case at all. Where we started and where we are coming from is the commercial

loans by BNL to enterprises that were actually supplying these military purpose supplies and equipment and material.

When we talk about state enterprises, there is nothing else in those countries. The same man who is the Minister of Procurement and Economic Development is the man in charge of defense procurement, and in one case there, and for a while it happened to be Saddam Hussein's relative.

High-speed photography gear for work on projectile behavior, for instance, and terminal ballistics was approved because, and I quote, "This equipment is appropriate for conventional artillery rounds but far too slow for nuclear applications."

In short, the policy was to let Iraq have goods that could easily be used or diverted to nuclear application with a request that Saddam Hussein refrain from doing so.

□ 2100

This occurred despite the fact that everyone concerned knew that Saddam Hussein was making every effort to develop nuclear weapons. This occurred despite ample knowledge of Hussein's ruthless brutality, and this occurred despite knowledge that the threat was real, it was serious, and it was ongoing.

The truth is that the United States did nothing to check on how the United States technology was used in Iraq.

Out of 771 export licenses granted for Iraq, only 1 was ever checked to ensure that the equipment was actually being used for civilian purposes, only 1 out of 771.

So when the President claims, and I am going to quote his words, "We did not enhance Iraq's nuclear, biological, or chemical weapons and missile capability," it simply is contradictory to the facts as adduced in the evidence and in the documents that we are presenting to our colleagues.

What the President knew was that Saddam Hussein wanted nuclear weaponry—there is no way we can escape that conclusion—long-range ballistic missiles, and chemical and biological weapons, and that he had an elaborate plan to get them.

Our President also knew that Saddam Hussein was using front companies and other deceptions, and that equipment needed for Iraq's nuclear program was being bought in this country as well as others. He also knew that despite the U.S. request that equipment not be used for nuclear weapons purposes, the United States did nothing to ensure that the technology was not being diverted. He also had a policy of approving dual-use licenses for Iraqi conventional-weapons programs.

Our President claims that nothing had happened, but as I am saying, in shocking contradiction with the very documents that we have been adducing and presenting to our colleagues, so you can judge for yourselves.

Did Saddam Hussein respect any of the conditions that supposedly were