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WHITE HOUSE
CORRESPONDENCE TRACKING WORKSHEET

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD) 1/1

Name of Correspondent: Alan Charles Raul

MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Investigation of extension of export credit guarantees to Iraq

| ROUTE TO: | ACTION | DISPOSITION |
|----------------------------|--------------------------|---------------------------|
| Office/Agency (Staff Name) | Action Code | Tracking Date YY/MM/DD |
| <u>cuofc</u> | ORIGINATOR | <u>92,10,07</u> |
| <u>cuat 33</u> | Referral Note: <u>AI</u> | <u>92,10,07</u> |
| <u>cuad 02</u> | Referral Note: <u>I</u> | <u>92,10,07</u> |
| <u>cugray</u> | Referral Note: <u>I</u> | <u>92,10,07</u> |
| | Referral Note: _____ | <u>1 1</u> |
| | Referral Note: _____ | <u>1 1</u> |

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"
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PRESIDENTIAL REPLY

| | | | | | |
|------|-------|-------|-------|---------|-------|
| Code | _____ | Date | _____ | Comment | _____ |
| C | _____ | Time: | _____ | P. | _____ |
| DSP | _____ | Time: | _____ | 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 - Mailgram
 - O - Memo
 - P - Photo
 - R - Report
 - S - Sealed
 - T - Telegram
 - V - Telephone
 - X - Miscellaneous
 - Y - Study

DATE: October 7, 1992

ATTN: C. Boyden Gray
The White House

FAX NO: 456-6279

FROM: Alan Charles Raul
General Counsel
USDA

FAX NO: 720-8666
TELEPHONE NO: 720-3351

There are ⁵ 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.

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United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-8000

cc: Boyden Gray } Fax
E. Williamson } FYI
"Iraq"
+ AFP

October 2, 1992

The Honorable Edward Madigan
Secretary of Agriculture
U.S. Department of Agriculture
14th and Independence Avenue, S.W.
Washington, D.C. 20250

Dear Mr. Secretary:

The Committee on Agriculture, Nutrition, and Forestry is continuing its investigation of the extension of export credit guarantees to Iraq under the Department of Agriculture's (Department) General Sales Manager (GSM) 102 and 103 programs.

The Committee has reviewed thousands of Department records on these subjects but has received no information from the Department's computer generated and stored records, computer files, or electronic messages.¹ Please inform the Committee whether Department computers have been thoroughly checked to determine if the systems contain material responsive to our requests. In addition, there are several specific issues which have not been addressed in any of the records supplied to the Committee.

First, the Committee has received no records of the substance of at least one a high-level interagency meeting. A Department record, Bates-stamped 007293-007300 and titled List of 'Iraq' Dates in ACR's Calendar, states that on October 16, 1989:

"[Department General Counsel Alan] Raul and OGC attorney (Thomas V. Conway) meet with Mike Young, Deputy Legal Advisor at the State Department to discuss Iraq. Meeting took place in Raul's office. (State's Legal Advisor, Abe Sofaer, requested that we brief his Deputy because, at this point, State was very interested in pressing forward with the credits for Iraq, while USDA and the N[ational] A[dvisory] C[ouncil] were more anxious about it. He wanted a better sense of the issues and concerns.)"

We are interested in this meeting because it occurred at a critical juncture in the Department's consideration of Iraq's Fiscal Year 1990 allocation of credit guarantees. Records provided to the Committee show that just prior to the arrival of the Department of State lawyers, the Department withdrew its offer of Fiscal Year 1990 credit guarantees to Iraq due to revelations stemming from the Banca Nazionale del Lavoro (BNL) investigation. Two memoranda dated October 12, 1989 and addressed to Secretary of Agriculture Clayton Yeutter state:

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"On Thursday, October 12, because additional concerns were uncovered in Atlanta, USDA informed the Iraqi delegation that we felt best that consultations be suspended pending further notification."

"Because of the revelations resulting from visits of two USDA officials to Atlanta the previous day, the Iraqis were also told that the earlier proposal of \$400M was now uncertain. When pressed as to whether the \$400M was still available, the delegation was informed that they were welcome to remain in Washington to await a decision, but USDA could not advise when this might be resolved."

Contemporaneous notes of a Department of the Treasury (Treasury) official confirm that the Department's decision to withdraw the offer to the Iraqis was communicated to other federal agencies:

"What USDA is being told [by BNL task force]: 'Can't give you any detail. If we have a smoking gun we won't tell you.' ... Based on this, [Crowder] made decision: best if didn't have consultations now; cleared with Secretary [Yeutter]. Has Sec[retary's] support/concurrence' ... Apparently, Crowder sent someone down to Atlanta and said there's no \$400M on the table. Didn't tell the Iraqis that."

"[After a] second briefing: apparently more details. Crowder suggest[s] not proper to go forward."

When senior lawyers from two federal agencies meet to discuss the future of a one billion dollar government program that also is the subject of numerous National Advisory Council meetings and a federal indictment, there is ordinarily a record of what transpired at the meeting. Please provide the Committee with all records related to this October 16, 1989 meeting.

Second, I am concerned that the Committee has not received all Iraq-related records from the Secretary of Agriculture's office. For example, there is great deal of evidence that Secretary Yeutter played an important role in the decision to grant Iraq further credits in the wake of the BNL investigation. Three of the documents quoted above are either addressed to Secretary Yeutter or mention his name as a decision-maker for the Iraqi GSM program. It is a fact that Secretary of State James Baker telephoned Secretary Yeutter on October 31, 1989 to urge the Secretary to approve a Fiscal Year 1990 export credit guarantee "program of up to one billion" for Iraq. To date, the Committee has not found one record of Secretary Yeutter's input into the decision to continue export credit guarantees to Iraq. There is not even a record of Secretary Yeutter's telephone conversation with Secretary Baker.

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The Committee's research also indicates that Secretary Yeutter played a direct role in the decisions about what to tell the public about the Iraqi GSM program. The notes of a Treasury official state that on May 18, 1990 General Brent Scowcroft, Assistant to the President for National Security Affairs, personally telephoned Secretary Yeutter to ask that USDA not announce a suspension of the Iraqi GSM program:

"Scowcroft called Yeutter and asked him not to put out press release today (May 18, 1990) saying terminating program. Not to do that until we have interagency review."

The fact that the Department's draft press release was modified to reflect General Scowcroft's request indicates that Secretary Yeutter intervened in this matter. Furthermore, notes taken at a 1991 White House meeting indicate that General Scowcroft also sent a letter to Secretary Yeutter on the date of the phone call.

On August 27, 1992, I wrote to Secretary Yeutter to determine whether he had taken any of his records to the White House. The White House informed me that all records of Secretary Yeutter were left with the Department. It is difficult to understand why the Department has not supplied the Committee with any records of such an important contact between two senior officials. Please provide the Committee with all records of Secretary Yeutter not previously supplied.

Third, the Committee has not received all Department records related to the Department's November 7, 1989 report to the National Advisory Council. In one section of the report, the Department evaluated the substance of allegations that Iraq was paying "high prices" for Commodity Credit Corporation-guaranteed commodities. The report states:

"The [BNL] investigators were able to point to only one example -- a sale of corn oil to Iraq where the sale price was \$1050 per metric ton, and there was evidence in the file that the corn oil had been purchased from a midwest supplier for approximately \$739 per metric ton. However, after checking with individuals operating the GSM program in Washington and reviewing the underlying files and contract, it appeared that the particular sale contract called for packaging the materials in one gallon tins, and labelling the cans in Arabic ready for retail shelf sale in the Iraqi market. Thus, the markup most likely involved substantial additional costs of packaging and labelling. The investigators did not produce any other sales at the time which indicated overly high pricing."

The Committee has received no records to substantiate this explanation. Please provide the Committee with such records.

Fourth, the Committee understands that there were numerous

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contacts between the Department and the Department of State and Treasury's Office of Foreign Assets Control about whether to give special treatment to Gulf International Bank. Please provide the Committee with records of all contacts between the Department and other federal agencies regarding this matter as well as all records not already supplied to the Committee which in any way discuss the participation of Gulf International Bank, Arab Banking Corporation, and Union de Banques Arabes et Francaises in the GSM program with Iraq.

Finally, please provide the Committee with the contents of a February 13, 1990 facsimile to C. Boyden Gray, Counsel to the President. The cover sheet is Bates-stamped 007313.

I request that the Department supply the Committee with all records requested above by the close of business, October 9, 1992.

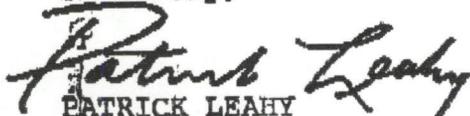
For the purpose of this request, unless specifically stated otherwise, the word "record," whether used in the plural or singular, encompasses all intra-departmental communication and contacts with outside departments and organizations of the U.S. Government between July 20, 1989 and the present, and includes official correspondence, rulings, formal opinions, policy papers, memoranda, transcripts, facsimiles, telexes, cables, computer generated and stored records, computer files, electronic messages, working papers, personal and official calendars, diaries, telephone logs, and personal notes (or any other means by which information is retained) in the possession of the Department, which pertain to:

- 1) Iraq's participation in the Department of Agriculture's export credit guarantee programs;
- 2) the BNE investigation; and
- 3) financial institutions participating in the Department of Agriculture's export credit guarantee programs with Iraq, including the Arab Banking Corporation, Union de Banques Arabes et Francaises, and Gulf International Bank.

If you have any questions about this request, please contact Jim Cubie, the Committee's Chief Counsel, at 202-224-5207.

The Committee appreciates your cooperation and looks forward to your timely reply.

Sincerely,



PATRICK LEAHY
Chairman

PUL/jr