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FRONTLINE

TRANSCRIPT THE ARMING OF IRAQ

In this report, which originally aired Sept. 11, 1990, FRONTLINE examined how Saddam Hussein built Iraq's massive arsenal of tanks, planes, missiles, and chemical weapons during the 1980s. Correspondent Hodding Carter investigated the complicity of the U.S. and European governments, as well as Western corporations, in creating the Iraqi military machine the world was then trying to stop.

ANNOUNCER: Today, the world may be united against Saddam Hussein, but for the past decade he has been building a war machine with help from Moscow to Washington.

Senator ALFONSE D'AMATO, (R) New York: It was a totally uneven policy. There was not a tilt towards Iraq, there was a wholesale rush to Iraq.

HODDING CARTER, FRONTLINE: Officially, most Western nations --

ANNOUNCER: Correspondent Hodding Carter investigates how the West provided the key technology, and the most dangerous weapons that we now face. Tonight: The Arming of Iraq.

Mr. HODDING CARTER, Narrator: Over 100,000 American troops are still pouring into Saudi Arabia in the biggest buildup of U.S. forces overseas since the Vietnam War, part of the world's attempt to force Iraq to rethink its conquest of Kuwait.

But the very scale of this military response is powerful testimony that the world has already made a big mistake in failing to control the arsenal and contain the ambitions of Saddam Hussein.

Since he seized the presidency of Iraq in 1979, Saddam Hussein has made no secret of his ambitions to become the preeminent power in the Persian Gulf and the sword of the Arabs against the West. And his strategy to achieve that power was equally clear: military strength and the will to use it.

In 1980, Hussein attacked neighboring Iran, initiating a bloody conflict that would last eight years. When the ceasefire ended that fighting in 1988, Iraq had built a million-man army and spent over \$50 billion on military hardware.

Last winter, in Baghdad's annual Army Day parade, Hussein displayed some of Iraq's extraordinary arsenal, bought with billions of its oil revenues and with loans from its Arab neighbors. At least half of Iraq's conventional weapons were purchased from its ally, the Soviet Union, but France was also a major source, providing its sophisticated Mirage fighters and deadly Exocet missiles. And there were many others -- China, South Africa, Czechoslovakia, Egypt and Brazil. At one point, in the 1980s, Iraq was the biggest importer of arms in the world.

What Hussein did not put on show this day were his most frightening weapons. According to intelligence sources, he has been developing his own sophisticated chemical, missile, and nuclear capacity. Three plants are now producing deadly chemical and biological weapons. Four complexes are involved in the research, development and testing of missiles. And at least four sites are involved in a uranium enrichment program to build nuclear weapons. To develop this sophisticated arsenal of non-conventional weapons,

Saddam Hussein turned to the West.

Officially, most Western nations participated in a total arms embargo against Iraq during the 1980s, but as we shall see in this broadcast, Western companies, primarily in Germany and Great Britain, but also in the United States, sold Iraq the key technology for its chemical, missile, and nuclear programs. As we shall also see, many Western governments seemed remarkably indifferent, if not enthusiastic, about those deals. And here in Washington, the government consistently followed a policy which allowed and perhaps encouraged the extraordinary growth of Saddam Hussein's arsenal and his power.

This is a complicated story of miscalculation, deceit and greed, and it leads inevitably to the conclusion that the most dangerous weapons Western forces face today in the desert are in many ways our own creation.

The Chemicals

In 1988, in an Iraqi town called Halabja, Hussein's forces unleashed a devastating gas attack, killing an estimated 5,000 Kurdish men, women, and children. It was chilling evidence that Saddam Hussein had not only developed chemical warfare technology, but that he was willing to use it, even against his own people.

His involvement with chemical weapons may well go back over 20 years. In Washington, Neil Livingstone, who has written extensively on chemical weapons, claims to have traced Hussein's interest in the deadly gases to a visit to the United States.

NEIL LIVINGSTONE: Well, Saddam came here, of course, in 1967 with a group of other young Iraqi military officers, and was taken to all of our principal chemical weapons facilities -- Aberdeen, Edgewood, Dougway and Annistown. And he went through the process of seeing the design of weapons -- at least, seeing something about the design -- the manufacture of weapons, and their actual use and deployment on a battlefield. I'm sure that no national secrets were given to Saddam Hussein and his colleagues, but at the same time, it was a course in the effectiveness of chemical weapons, how they can be deployed in a battlefield situation.

SETH CARUS: The Iraqis have worked since the early 1970s to develop a capability to make chemical weapons. They didn't have a lot of success at first. In the first, say, three to four years of use--

NARRATOR: Dr. Seth Carus is an arms specialist at the Washington Institute for Near East Policy.

Dr. CARUS: By the late '70s, however, they discovered that there were West German companies that would gladly provide this kind of equipment. So, basically, they went into Germany, they found companies and individuals who would help them, and over the course of four or five years they built a small but capable production infrastructure.

NARRATOR: Just three weeks ago, seven West German men were arrested for helping Iraq develop chemical weapons and violating German export laws. But over the years, hundreds of German companies may have been involved in the export of arms and technology, and opposition leaders accuse the government of dragging its feet.

NORBERT GANSEL, German Parliament: German authorities know, since 1984, that there are serious indications for the involvement of Germans and German companies for the development and production of poison gas in Iraq. It took them three years to start investigations by a state prosecutor, it took another three years to make the first arrest.

NARRATOR: Iraq's chemical weapons have been developed with the help of German engineers at the Samarra plant. These satellite pictures of the heavily guarded secret plant north of Baghdad reveal some details of the sophisticated installation. Samarra is surrounded by anti-aircraft and anti-missile defenses, and some of its buildings are merely shells, dummies to help thwart any military attack.

This West German technician says he and other Germans worked at the Samarra plant. Although Berndt Mayer says he only installed plumbing and air conditioning, he told BBC reporter Jane Corbin about his exposure at Samarra to hydrogen cyanide, the deadly gas used in World War I.

BERNDT MAYER: [through interpreter] I worked here, between P11 and P12, next to a neutralization

building built by us, and from P7 came these fumes, these almond smells. One afternoon, my work colleague felt sick because he had been breathing in the fumes of hydrogen cyanide -- prussic acid -- all morning. It was clearly noticeable. We had breathing problems in our chests and lungs. We even had to take a couple of days off work.

JANE CORBIN: What conclusion did you come to from what you found in that area?

Mr. MAYER: [through interpreter] On the basis of the two names I jotted down, I can remember one of the chemicals very well, but the other one I don't recall right now. I read in the report that you could produce mustard gas from these two chemicals.

Ms. CORBIN: Do you think they were making mustard gas there?

Mr. MAYER: [through interpreter] Well, I can't be 100 percent sure.

Ms. CORBIN: But you suspect they were?

Mr. MAYER: [through interpreter] Yes, I think they were, because if you're talking about making fly spray, you wouldn't need the kind of protection they had there.

Dr. CARUS: It's quite clear that they've been busily making chemical agents for the last two years, since the end of the war, so one should assume that they have at least 1,000 and perhaps several thousand tons of chemical agent in stockpile right now.

NARRATOR: But Germany was not alone in supplying chemicals to Iraq. In April 1988, a U.S. Customs sting in Baltimore uncovered an Iraqi chemical-buying network shipping hundreds of tons of thiodyglycol to Iraq. The chemical has several commercial uses, but officials believe the Iraqis were interested in just one. It is a chief ingredient of mustard gas.

Martin Himless is the assistant U.S. attorney who prosecuted the case.

MARTIN HIMLESS: The Export Administration regulations specifically provide that Iran, Iraq and Syria are three destinations to which thiodyglycol may not be exported. And the reason, which is very clearly stated in the regulations, is that the chemical may not be used in chemical weapons.

NARRATOR: The chemical was exported by Alcolac, a Baltimore company. The government says 538 tons eventually ended up in Iraq. Undercover Customs agent Dennis Bass investigated the case.

DENNIS BASS: Iraq came to the United States for several reasons to purchase the thiodyglycol. One reason is that the chemical is not widely produced. It is produced in other places in the world, but not many places. Also, some of the other producing companies throughout the world don't produce it in as large quantities as Iraq required. And another reason was price. Alcolac gave a very competitive price, and that was always a factor in these purchases.

NARRATOR: The technique used by Iraq to separate itself from the orders began here in New York. The actual orders were made by NUKRAFT, which the government says is a shell company based in this warehouse district in Brooklyn.

Mr. HIMLESS: NUKRAFT was a company that had been formed by principals of a steel company in New York in the early 1980s. It had briefly done business, but for all intents and purposes had no ongoing business activities until these transactions began.

NARRATOR: But NUKRAFT's records showed it was just one link in a chain of buyers. NUKRAFT took its orders from a European middleman, Frans Van Anraat. Officials say he dealt directly with the Iraqis as the last connection in a buying network that Baghdad ultimately controlled.

Mr. HIMLESS: By structuring the transaction in this circuitous manner, they created a series of indirect relationships that made it more difficult for government authorities to establish where, exactly, the shipment was destined.

NARRATOR: The thiodyglycol was shipped from Baltimore across the Atlantic to Rotterdam or Antwerp,

where it could legally be unloaded on the docks. This first stop in a legal port made the shipments look legitimate, but then the barrels were loaded onto a second ship and sent on to the port of Aquaba in Jordan, loaded onto trucks, and driven across the desert to Iraq.

When these sales and others were discovered, Alcolac cooperated fully with the government. The company pled guilty to a single violation of the export laws and was fined \$438,000. But Alcolac claims it never knew the final destinations of the four shipments that eventually reached Iraq.

Mr. HIMLESS: What they did know is that there were a series of red flags that arose, beginning early on in the transactions and continuing through their conclusion. With each red flag, there was mounting evidence that, at the very least, the destinations that were being stated on shipping documents and other documents were not their actual destinations. And of course, if one is dealing in a lawful product for proper uses, one doesn't conceal the destinations.

Mr. BASS: I think the bottom line for all the people was really one factor, and that is money. They were willing to do just about anything asked of them because they were making money off of it.

The Missiles

NARRATOR: In the eight-year war in the Gulf, Iraq repeatedly used missiles to hit Iranian targets, missiles developed in a crash program with extensive help from Western companies. The center of Iraq's missile development program is a secret research facility located at Mosul University in northern Iraq called "Saad-16." Saad-16 was equipped by German and Austrian companies with state-of-the-art machinery, a laboratory and testing equipment for missile work.

British engineer Chris Cowley worked in Iraq in 1988 and 1989. He's now back in England, under indictment for allegedly trying to export parts for a supergun, a long-range cannon, to Iraq. He would not discuss those charges, but agreed to talk about what he saw in Iraq, including his visit to Saad-16.

CHRIS COWLEY: Well, it was absolutely brilliant. I'd never seen anything in Europe that compared with that particular research facility. I'd never seen any university in Europe, and specifically in England, that had such superb equipment. At the time I was there, they didn't have the manpower to utilize what was available, but the various departments were being set up. And again, there'd been no restriction on the amounts of money that are being used. The building was absolutely ideal. There was a whole atmosphere about that place. When you walked in, you thought, "This is impressive."

NARRATOR: Last December, the research work at Saad-16 paid off for the Iraqis. Baghdad surprised and alarmed the world by launching a rocket adapted from a basic Soviet Scud missile. And there are more sophisticated Iraqi missiles under development, with ranges, they claim, of several thousand miles.

Dr. CARUS: As they get longer-range missiles, they will have unique capabilities that they can't achieve through use of aircraft. Now, the key is that some day, they were going to be able to fit these weapons with warheads, including chemical warheads, nuclear warheads, and possibly biological warheads, as well. All of these capabilities are a potential danger to a lot of people.

NARRATOR: In Germany, prosecutors are now investigating the aerospace giant Messerschmitt, Bolkow and Blohm for its involvement in Iraq's major missile program. Investigators are focusing on allegations that MBB, which developed NATO warheads, supplied warhead technology to the Iraqis, including an advanced and particularly lethal version called a "fuel-air explosive."

These are MBB test documents for the FK120, the company's name for its Condor missile project with Egypt, which was, in turn, partners with Iraq. These documents refer to testing a fuel-air explosive warhead -- an FAE. MBB did confirm that "Paper studies were handed over to the customer," although MBB subsequently pulled out of the project.

DAVID SAW, *Military Technology Magazine*: Fuel-air explosives are an extremely nasty and devastating weapon. When they are ignited, it creates a fireball and pressure effect that, in American tests, has been proven to be five times greater than TNT. For the Iraqis, possessing this weapon, they will be the first third-world nation to have it.

The Network

NARRATOR: The company at this discreet location in London was a key part of Saddam Hussein's arms network. The two men on the right had been procuring the Western technology Iraq needs to build its weapons. The Technology & Development Group, TDG, has been acquiring hardware, and has also been buying into Western companies, all to develop Iraq's military program.

Dr. AMATZIA BHARAM, University of Haifa : They know how to work. In other words, they don't -- you don't see their fingerprints, which is very important. They buy companies, and the company belongs to them, but it doesn't appear on the surface at all.

NARRATOR: There are three men behind TDG's London operation: Hanna Jon, a former senior engineer on Iraq's military factories; Adna at Amari, his co-director; and the chairman of TDG, Dr. Safa Al Habobi. He's also a key figure in NASSR, the Iraqi military-industrial establishment involved in its nuclear and missile programs. He operates from this Baghdad building, where Iraq's arms program is coordinated by Brigadier General Hussein Kamel, son-in-law of Saddam Hussein.

One of the most important acquisitions of this network has been machine tools, the basic building blocks of industry. Metal parts for any equipment, civilian or military, need precision machining. British-made, computer-controlled lathes are world-renowned. To make weapons, Saddam Hussein needed machine tools; to get them, he turned to Britain.

Mr. COWLEY: His priority would certainly be to obtain the necessary machine tools, and the production and process know-how to have in-house capability.

INTERVIEWER: Why?

Mr. COWLEY: Well, then, he has total independence. If you impose an arms embargo against him, then it has virtually no effect on his day-to-day requirements.

NARRATOR: In Coventry, near London, the Iraqis found Matrix Churchill, a manufacturer of sophisticated machine tools. In 1987, TDG -- the Iraqis' London front -- bought Matrix Churchill. Matrix admits it sold machine tools to Iraq, but says those machines were not intended for military production.

But Chris Cowley has been to NASSR, the Iraqi military-industrial complex where Matrix machines are installed. He says Matrix machines were making weapons.

INTERVIEWER: Did you see British engineers from Matrix, for example, training people locally?

Mr. COWLEY: Yes.

INTERVIEWER: What sort of things would they be doing?

Mr. COWLEY: On the machine tools that Matrix Churchill were installing, they were manufacturing 155- and 130-millimeter artillery shells.

INTERVIEWER: Shells for guns?

Mr. COWLEY: Uh-huh.

INTERVIEWER: And obviously they knew what they were doing?

Mr. COWLEY: Well, yes. A shell is a shell. I mean, it has to be set up. The person who is setting up the machine has to have a drawing -- a very, very detailed drawing -- and that drawing must give you, obviously, all the outline, and it must give you the very precise parameters that are needed to produce the finished product.

PETER ALLEN, Sales Director, Matrix Churchill : If those allegations are true, I can only say that, having been there myself, I have never seen either our machines or our engineers involved in such practices.

INTERVIEWER: And you don't think anyone else from the company would have seen such a thing?

Mr. ALLEN: No.

NARRATOR: Last year, Baghdad hosted an international arms fair. It was a showcase for Iraq's own home-produced hardware, much of it developed courtesy of Western scientists and Western companies. And the arms fair was also a showcase for foreign arms manufacturers who hoped to do business with Iraq. Visiting the exhibition was the military editor of Jane's Defense Weekly, Chris Foss.

CHRIS FOSS: This is the official exhibition guide, and it says that one of the largest countries exhibiting there was in fact France, but also a number of British companies were there, like British Aerospace. And of course the largest British manufacturer there was Matrix Churchill, who showed a complete range of their machine tools, some of which, in fact, were actually working at the exhibition. If you go to other exhibitions like BAW, you very rarely ever see any machine tools at a defense exhibition. You see the end product, but not actually the things that make them. So that really did take me by surprise considerably.

Mr. ALLEN: We exhibited there for a number of reasons. One was, we had active government support. We were sponsored by the British Overseas Trade Board, along with a number of other British companies. We have no problem with having sold to Iraq, because we sold -- all of our products had the correct licenses and the correct approvals. We were actively encouraged by the government to go there. We certainly have not supplied machines for military application.

NARRATOR: Britain's Department of Trade and Industry says it did not sponsor Matrix Churchill or any other firm at the Baghdad arms fair, but it declined to answer any questions on why it continued to allow Matrix to trade with Iraq. As for Matrix Churchill, its management says that they are now trying to remove themselves from Iraqi control, to find a new buyer.

But the Iraqis were also looking elsewhere. In June of this year, they came to Lugano, Switzerland, where they set out to buy a company now believed to have exported nuclear parts to Iraq. The man who came on the buying mission was TDG's then financial director Robert Khoshaba. He has since resigned from TDG, and says he had nothing to do with company policy.

This document is a hand-written account of his trip, in which he describes meeting an official from the Swiss company Schmiedemeccanica. They met at this Lugano bank, where Khoshaba negotiated for TDG's chairman in Baghdad, Dr. Safa, to acquire an 18 percent interest in the company at a cost of \$4.5 million. In addition, the Iraqis planned to buy another 11 percent of the company.

Schmiedemeccanica has acknowledged that the Iraqis acquired shares in the company, which is an engineering firm specializing in precision forging of high-tech components. The company admits that it exports to Iraq. But it was this order that showed the high-stakes game Baghdad was playing. These Schmiedemeccanica components are believed to be part of a centrifuge system to produce weapons-grade uranium.

Just two months ago, they were seized at Frankfurt Airport. Customs officials say they were destined for the Iraqi nuclear program. The company says the Iraqis told them the parts were gear forgings.

Dr. GIANLUIGI MARTINELLI, Schmiedemeccanica: [through interpreter] I feel 100 percent cheated, and if the end use is what we are now told it was for them, I'm glad the delivery was stopped.

GORDON BROWN, Labor, Trade and Industry Spokesman: It is now clear that the Technology & Development Group is no ordinary company. It is controlled partly by officials from Iraq. Not only does it own companies within the United Kingdom, but it clearly is operating as a procurement executive for Iraq to buy weapons worldwide. The tragedy is that this has been happening from London, that nothing has been done to stop the operations of the company, despite all the warnings, and even today the company is trading without action having been taken.

NARRATOR: Only July 17th, the Iraqi embassy in London held a reception. It was just two weeks before the invasion of Kuwait. Relations between Britain and Iraq were already strained by two recent arms-smuggling busts in England, and by Baghdad's execution of a British journalist. But William Waldegrave, a top Foreign Office diplomat for the Middle East, showed up.

WILLIAM WALDEGRAVE: Very nice. Did you know that this house used to be my sister's house?

NARRATOR: Despite growing concern about Iraq's behavior, Waldegrave and the government were still opposed to any sanctions against Iraq, arguing that they would only help foreign competitors and undermine British businessmen.

Mr. COWLEY: This was a very, very large cake that had to be cut up. We were talking about not millions or hundreds of millions, we were talking about billions of pounds. And every European government wanted their share of that cake, and Britain made certain they got their share.

The Bank

NARRATOR: It was in Atlanta, Georgia, that Saddam Hussein found another indispensable component of his build-up: money. A small branch bank in downtown Atlanta developed a scheme secretly to provide letters of credit to Baghdad. A federal grand jury is now investigating.

Alan Friedman is a reporter for the Financial Times of London who broke the story of the scandal a little more than a year ago.

ALAN FRIEDMAN: I was a foreign correspondent in Italy at the time. This is August 1989. And the biggest bank in Italy -- a state-owned bank called Banca Nazionale de Lavoro, known as BNL -- put out a very terse, four-line press release saying that irregularities had been discovered at the Atlanta, Georgia branch of their bank. And it took until early September of 1989 before I was able to ascertain that these were not just irregularities, but that we were talking about \$3 billion of improper loans in the forms of letters of credit and actual loans from Atlanta to Baghdad, to the Central Bank of Iraq.

NARRATOR: In the beginning, BNL provided credit for Iraqi purchases of U.S. grain and other commodities. Most were federally guaranteed loans under a program designed to help American farmers by promoting commodity exports. But the Iraqis soon began using BNL's money for equipment and technology which could help them develop their military-industrial base.

BNL extended a \$14 million letter of credit to a Tuscaloosa, Alabama company -- XYZ Options -- so the Iraqis could purchase precision carbide tools. \$53.8 million in credit from BNL went to Lummus Crest in New Jersey to build an ethylene plant. Ethylene has many uses, including the production of chemical warfare agents. BNL was also extending letters of credit to TDG and to its affiliate, Matrix Churchill -- one for \$16 million for precision lathes and other high-tech equipment.

When documents, including this letter of credit for 81 million German marks -- fell into Alan Friedman's hands, he began asking who else was following the money trail.

Mr. FRIEDMAN: The National Security Agency -- the American code-breaking agency, a very sensitive, secretive U.S. agency -- had tracked the telexes, the money flows, the letters of credit. We're talking about letters of credit -- 2,500 of them -- which flowed abundantly around Atlanta, Georgia, Baghdad, Iraq, New York City. These letters of credit are not hard for the CIA and NSA to track.

NARRATOR: Dr. Norman Bailey created the National Security Council's program for tracing the movement of money worldwide. We asked him if there was any way the U.S. could have been ignorant of the BNL loans.

NORMAN BAILEY: Well, no. I think it's entirely impossible that an operation of that size would have gone unnoticed by the headquarters of the bank itself, and also by the regulatory agencies in the United States.

INTERVIEWER: And the client involved would have also been clear--

Mr. BAILEY: Certainly.

INTERVIEWER: -- that it was an Iraqi operation?

Mr. BAILEY: No question about it.

Mr. FRIEDMAN: Baghdad was having a ball. Baghdad was milking the United States banking system for \$3 billion without anyone in Washington or elsewhere raising a finger.

NARRATOR: FRONTLINE asked the National Security Council and the Federal Reserve what they knew about BNL's activities, but both agencies declined to comment.

The Dealer

Inside a private hangar at Miami National Airport is the headquarters of one of Saddam Hussein's biggest private arms dealers.

His name is Sarkis Soghanalian. An arms dealer for more than 30 years, his first deals with Iraq date back to the early days of the war with Iran.

SARKIS SOGHANALIAN: I got a call in 1980, December, here in Miami, and they want me to go there immediately, if I could help them.

INTERVIEWER: What were their problems?

Mr. SOGHANALIAN: Mainly, it was the embargo -- spare parts and ammunition. All their weapons were, you know, Russian -- Eastern Bloc. And we had a long talk with this general. We stayed two, three days together. I gain his confidence.

NARRATOR: Soghanalian began to provide the Iraqis with small arms and ammunition from the Eastern Bloc, his major source of weapons since he armed Christian militias in Lebanon, where he is a citizen. But over the years, he would sell the Iraqis more than \$2 billion worth of military equipment, including a \$1.6 billion deal for French howitzers.

INTERVIEWER: Does the U.S. government know what you're doing?

Mr. SOGHANALIAN: Oh, yeah, definitely.

INTERVIEWER: Definitely what?

Mr. SOGHANALIAN: They knew what I was doing, where I was going, because my relationship with, you know, with U.S. and the previous intelligence officers, they were still intact in Washington, and I was telling them what was happening. This is how they allow me to come back to States and get American equipment for Iraqis.

NARRATOR: In the U.S., Soghanalian brokered three separate deals to supply helicopters from American companies to the Iraqis. He says one deal alone totalled some \$500 million. Although many of the choppers were originally designed to transport troops, the Iraqis promised they were only for civilian use.

INTERVIEWER: How many helicopters altogether?

Mr. SOGHANALIAN: Oh -- 30, 30, 23, 83, 50 -- about 140 helicopters. And State Department was particularly interested to push some American --

INTERVIEWER: Now, wait a second. The U.S. State Department -- what did -- they wanted to sell things to Iraq?

Mr. SOGHANALIAN: Yeah. You see, it went straight to the White House. And the National Security got involved in it.

INTERVIEWER: How do you know?

Mr. SOGHANALIAN: Oh, because I was briefed by -- you know, I mean, I was in the deal.

INTERVIEWER: So all of the sales of U.S. equipment you made--

Mr. SOGHANALIAN: Yeah. Yeah.

INTERVIEWER: -- they were cleared--

Mr. SOGHANALIAN: Cleared 100 percent -- 100 percent. Those helicopters, of course, they were civilian helicopters, which there were no weapons on board.

INTERVIEWER: When you took them over there.

Mr. SOGHANALIAN: When we took them over there. And we could very easily arm the helicopters, but I had to stay -- to keep my deal clean. And I used to tell the minister that it's not armed, those helicopters. Use them as ambulance, as a support -- you know, transporting people, stuff like that. But let's not violate the relationship, which he stuck to his promise and we never, never, you know, violate it. Because, you know --

INTERVIEWER: As far as you know.

Mr. SOGHANALIAN: Well, I'm sure. I'm positive.

NARRATOR: The U.S. concedes those helicopters may have been used for military transport, but denies any of them were armed in Iraq. However in 1987, a federal grand jury indicted Soghanalian for conspiring to arm Iraqi civilian helicopters, and to ship them U.S. attack helicopters. The case has been stalled for three years.

REPORTER: Mr. Soghanalian, what do you think about the charges?

Mr. SOGHANALIAN: I can't give you any comment on that, but I'll say one thing -- I'm very happy with it.

REPORTER: Very happy with what?

NARRATOR: Surely the most bizarre of all of Soghanalian's Iraqi deals was centered in this building in Washington, D.C., in the offices of Global Research International, run by former Marine Colonel and White House aide John Brennan. Soghanalian says that in 1983, Brennan asked him to help sell \$181 million worth of military uniforms to Iraq. The deal would involve Brennan's partner, former Attorney General John Mitchell, former Vice President Spiro Agnew, and eventually Richard Nixon.

INTERVIEWER: It didn't surprise you that Lieutenant Colonel Brennan, who was Nixon's aide, or Mitchell, or any of these other people [unintelligible]

Mr. SOGHANALIAN: I was surprised. I was surprised, to be honest with you, that President Nixon was in business with those guys. But anyway, I put the deal together for them. I got the order, and I thought they were going to get the equipment from the States -- you know, uniform and all that -- because the demand was always on U.S.-type shoes, boots, U.S.-type -- you know, U.S. uniform and stuff like that. So I find out that those guys are straight going to Eastern Bloc.

NARRATOR: In fact, Brennan had arranged for the Romanian government to manufacture the uniforms for shipment to the Iraqis. Brennan asked his old boss, Richard Nixon, to write a letter to Romanian dictator Nicolai Ceausescu to help seal the deal. "Dear Mr. President," Nixon wrote in 1984. "I can assure you that Colonel Brennan and former attorney general John Mitchell will be responsible and constructive in working on this project with your representatives. Mrs. Nixon joins me in sending our warm personal regards to you and Mrs. Ceausescu."

Mr. SOGHANALIAN: And the minister called me one day. He said, "I thought we were signing contracts with Americans?" I said, "Yeah, you are." "But," he said, "the supply is coming from Romania. Those are our suppliers since 20 years. Why didn't we go there to start with?" Because they were buying the shirts, let's say, for \$2.75, and they paid \$4 for it because it's American. And now the shirts are coming from Romania with higher price, and it's not American.

INTERVIEWER: I mean, to the average [unintelligible], this is very confusing. I mean, you have Richard Nixon and his friends supplying Romanian uniforms to Iraq.

Mr. SOGHANALIAN: That's correct. So they were going to cancel the contract. And I said, "Look, those are big lobbyists, there in the States. Let's finish this contract and then get over with it. The next contract, we don't give it to them."

NARRATOR: But Soghanalian would go on to do another Iraqi deal with Global Research -- helicopters this time. Now, both deals are the subject of a lawsuit over who gets the multi-million-dollar commissions from the sales.

Soghanalian blames his indictment on powerful enemies he said he made in Washington, and continues to insist that he kept the U.S. government fully informed of all his deals with Saddam Hussein.

INTERVIEWER: Did anybody ever say to the United States that maybe we shouldn't be supplying -- the U.S. government -- that we shouldn't be doing this to Iraq?

Mr. SOGHANALIAN: No. No. Never.

The Watchdog

NARRATOR: There was at least one man in Washington who saw his mission as preventing the transfer of important high technology to Iraq. Dr. Stephen Bryen was deputy undersecretary of defense during the Reagan administration.

STEPHEN BRYEN: I was confident, during the time that I served in the Reagan administration, that we prevented the shipment of a specialized analog computer to the Saad-16 complex in Iraq, which is their missile complex. I'm confident of it because I fought that inside the administration for nearly two years. The predisposition in the Commerce Department and in the State Department was to provide these kinds of goods. When we fought the battle -- and we took it to the White House in 1987 and 1988 -- over this analog computer, the State Department spoke very strongly in favor of allowing it to be shipped, as did the Commerce Department. In the case of Commerce, it's their business to promote trade, so we don't expect too much from them. But in the case of the State Department, we expect a lot more, and they were very much signed on board to this transaction.

NARRATOR: In 1988, this Maryland company applied for a license to sell the Iraqi military up to 1 million injectors of atrophine, a chemical used as an antidote to nerve gas.

AMERICAN SOLDIER: This injector is removed from the plastic cap. It is then armed. I then press it in a large fleshy muscle in--

NARRATOR: This same company recently sold injectors to the U.S. for its forces in Saudi Arabia. Atrophine is used to counter the effects of two nerve gases -- sarin and tabun.

Mr. BRYEN: Clearly, there was no one -- no other country -- near Iraq that had either sarin or tabun. The reason they wanted this antidote was to put it with their own chemical troops, so that when they conducted an attack using these chemicals, their troops had a way of protecting themselves against leakage of the chemical or wind changes that might blow the chemical back toward their own forces.

The State Department wanted to sell it to them, on the grounds that it was defensive. And even the U.S. Army came through with a "no objection" and thought it was OK.

NARRATOR: Earlier this year, even though he had left the government, Dr. Bryen tried to stop this New Jersey factory from shipping its high-tech furnaces to Iraq.

Mr. BRYEN: It was clear to us that the purpose of the furnaces going to Iraq was to assist them in their nuclear program in manufacturing components of nuclear weapons by casting them in these furnaces. These are very high temperature furnaces, very specialized. Once again, the State Department and the Commerce Department together fought very strongly to allow the export to go ahead. This was only a few weeks before the invasion.

NARRATOR: But Bryen also discovered that the company claimed it had already told the Commerce Department that the furnaces could be used on nuclear projects. The Commerce Department has denied

that the company produced any clear information that the Iraqis intended to use the furnaces for their nuclear program.

Mr. BRYEN: To be told something of this sort by the company, up front, clearly, it's well-documented, and in one case in writing, and then never to look into the matter -- it's a scandal.

NARRATOR: To understand how so many American officials could have miscalculated the dangers of Iraq's military build-up, you have to go back almost 11 years.

The Policy

President JIMMY CARTER: The 1980s have been born in turmoil, strife and change. This is a time of challenge to our interests and our values. If the American hostages are harmed, a severe price will be paid.

HODDING CARTER III, State Department Spokesman: We are agreeing on no preconditions for the release of our hostages. They must be released.

NARRATOR: The nation, like all of us in the Carter administration, was first enraged and then mesmerized by the Iran hostage crisis. In the country, the Ayatollah Khomeini became the symbol of American shame and impotence. At the White House, thwarting the Ayatollah became an obsession. So when Iraq invaded Iran in September 1980, top officials privately cheered. Iraq was not our friend, but it was now the enemy of our enemy.

When Ronald Reagan became president in 1981, he endorsed a policy which said that for America, the best possible outcome of the war was a stalemate -- no victors, no vanquished. Being even-handed should have been easy for the United States. After all, Saddam Hussein ran a Soviet-supplied police state which regularly gave sanctuary to anti-American terrorists. More ominously, he was rushing development of a nuclear arms program, which Israel tried to destroy in a lightning air raid in 1981. But still, Washington pressed its campaign for better relations.

And when Hussein finally expelled Abu Nidal, the mastermind of the bloody Rome airport massacre, the U.S. took Iraq off its official list of terrorist nations. Then full diplomatic relations were restored in October 1984, for the first time in 17 years. The Gulf war dragged on, going one way and then another. But when finally it began to turn against Iraq, official U.S. neutrality took on a new meaning.

RICHARD ARMITAGE: Iran was having several successes, and when they broke through at Basra and Alfa, there was a fear throughout the Gulf that this wave of Iranian hegemony would sweep down on them.

NARRATOR: Richard Armitage was assistant secretary of defense for international security affairs from 1983 to 1989.

Mr. ARMITAGE: It was at that time that we realized, "Good heavens, we don't want anyone to win, we also don't want Iraq to lose," because a loss in Iraq, we felt, would mean the spread of a secular brand of Khomeinism throughout the Gulf. And this would be a detriment to all of our interests.

INTERVIEWER: So this was a cold calculation of interest?

Mr. ARMITAGE: It was a cold calculation of national security.

NARRATOR: Whatever the reason, U.S. policy seemed to include a reluctance to criticize Saddam Hussein publicly. Not for sheltering Abul Abbas, the terrorist responsible for the Achille Lauro hijacking in 1985. Not for his use of missiles against civilian targets in Iran, nor his repeated use of poison gas in the war, going back as far as 1984. There was also a marked difference in the way Washington viewed arms sales to Iran and Iraq.

Richard Murphy was the State Department's top Middle East diplomat for most of the 1980s.

INTERVIEWER: Did we go to our allies and say, "Please do not provide arms in the region?"

RICHARD MURPHY: To Iran -- that was the policy. That was Operation Staunch, which we pursued for

those several years during the last four years of the war, trying to get allies, friends and adversaries to agree to cutting off arms supplies to Iran.

INTERVIEWER: And what was our policy about arms shipments to Iraq?

Mr. MURPHY: There was no policy to intervene with anyone about arms shipments to Iraq.

NARRATOR: Republican Senator Alfonse D'Amato was a frequent critic of U.S. policy toward Iraq throughout the '80s.

Senator ALFONSE D'AMATO, (R) New York: It was a totally uneven policy. There was not a tilt towards Iraq, there was a wholesale rush to Iraq. Ignore everything. Ignore the state-sponsored terrorism. Take any little piece of propaganda that Saddam Hussein would put out, and it would become a wonderful thing. And right down to the last minute -- right down to his last crossing over -- we had State Department people -- in other words, from '81 right on through -- coming out and mouthing his lines.

NARRATOR: There was, of course, more than one American arms policy approved by President Reagan. The Iran-Contra scheme was conceived by administration officials who believed better relations with Iran were the key to stability in the Gulf, and that American arms were the key to better relations with Iran. The exposure of Iran-Contra in 1986 ended this double-track policy.

In 1987, in the name of freedom of navigation, the U.S. threw the weight of its navy behind Iraq's position in the Gulf. A large American armada protected tanker traffic and crippled the Iranian navy. A war which had been going against Iraq was transformed again into a stalemate.

The end of the war came with a ceasefire in 1988, under conditions which reflected the government's best hopes, as this classified State Department document reveals. "We can legitimately assert that our post-Irangate policy has worked. The outward thrust of the Iranian revolution has been stopped. Iraq's interests in development, modernity and regional influence should compel it in our direction. We should welcome and encourage the interest, and respond accordingly."

Mr. MURPHY: We all saw Iraq in the post-war era as a very valuable market for our business communities -- potentially an enormous market once it got out from under the load of war debt that it had accumulated. And most experts predicted that that would happen in three to five years without invading Kuwait and raiding the Kuwaiti treasury. And I still think that was a reasonable time limit, that Iraq would have turned into, without this act of aggression, a state with whom one could have had very mutually profitable exchanges.

NARRATOR: But American hopes for a civilized Iraq seemed shattered almost immediately when Hussein made war on his own people at Halabja.

Mr. MURPHY: As soon as that happened in Halabja, during the war, we took it up with the Iraqis -- a very strong disapproval of chemical weapons. And we got them -- Secretary Schultz got them to move, at that point, and articulate a position that they would forswear future use of chemical weapons. And that's a position that they took with them to Paris at the international conference in January of '89.

Sen. D'AMATO: The most recent outrageous kind of activity was when they said, "Well, you know, he sent a representative to the biological confab on the use -- against biological weapons -- that he's actually sent somebody to a convention." Here's the fellow who's using gas, poison gas and chemicals, to kill his own people, and they said, "Oh, well, you know, he's really -- there's hope. We see hope." Oh, my gosh, if that is not the most incredible, impractical, illogical kind of thing!

NARRATOR: When the Reagan presidency became the Bush presidency, the new team's policy was a continuation of the old. It would be a policy that required the repeated triumph of hope over experience, because the Iraqi arms build-up was continuing. This spring, it was blocked at the last moment in an attempt to import a supergun whose shells could hit targets across the Middle East. At the same time, a British-American sting operation caught Iraqis trying to steal detonators for a nuclear bomb.

In Washington, many thought this was all very predictable. Some in Congress tried to force the Bush administration to reverse its course by imposing sanctions on Iraq.

Rep. HOWARD BERMAN, (D) California: They use chemical weapons, and we're talking about assurances that they aren't doing the things which they're so clearly doing.

NARRATOR: Congressman Howard Berman, a California Democrat, was a leader in that fight.

Rep. BERMAN: Well, for six months, I have been pressing to impose sanctions on Iraq, for all of the different reasons that the world now knows were justified. The administration consistently opposed this bill. First, they refused to provide us information, then they refused to even come forward to testify. They called and asked me to take the bill off calendar. On the day before the Iraqis invaded Kuwait, my legislation passed the House Foreign Affairs Committee over the strong opposition of the administration. That night, of course, Iraq invaded Kuwait, and the next day sanctions were the appropriate first step in a worldwide effort to combat Saddam.

NARRATOR: And it was only with Saddam Hussein's sudden seizure of Kuwait that there came the end of the last illusions.

INTERVIEWER: Is there something about being in government that just doesn't allow you to go out and say, "We just goofed?"

Mr. ARMITAGE: Oh, I think as I am not really a present official, I have said that I am personally remorseful. I don't think we goofed in our intention. We didn't get the victory we wanted. It didn't come out to the result we wanted. I think, as I say, it is incumbent upon leaders in the world to try to bring all nations to civilized norms of behavior. In this case, we were not successful, and now we're having to engage in another endeavor that is certainly costly in money, and may ultimately be costly in lives -- I hope to God not. But we tried.

NARRATOR: Failure has no friends, and so it's only too easy to condemn the policy which led us into our desert showdown with Iraq. But for me, the most important lesson is not that presidents can be wrong -- which they have been, and will be again -- but that it is a mistake to ignore principle for the sake of supposed practicality, of realpolitik. It is a mistake to support those who share neither our values nor our goals. It is a lesson we have been taught repeatedly, and a lesson we repeatedly forget. We always pay a price for not remembering. I'm Hodding Carter.

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