

# U.S. Cleared Factory Sale To Iraq Despite Own Ban

## *Arms Potential of Glass Fiber Technology Cited*

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By R. Jeffrey Smith  
Washington Post Staff Writer

The State Department warned nine countries in February 1990 not to sell "glass fiber-related technology" to Iraq, which it said wanted the equipment to help make missiles and centrifuges for nuclear weapons.

But four months after that unusually blunt communication, in a decision that the Bush administration could not explain last week, the Commerce Department approved the export of a glass fiber factory worth \$15 million to an Iraqi government-owned company that U.S. intelligence officials knew was a procurement agent for Iraq's nuclear and missile programs.

The June 1990 approval stands as a striking symbol of the Bush administration's failure to halt some sensitive exports of U.S. arms-related technology to Iraq, according to House Banking Committee Chairman Henry B. Gonzalez (D-Tex.), who has been investigating

the administration's policy toward Iraq.

He and other legislators say that the glass fiber factory was but one of many U.S. exports to Iraqi facilities known to be pursuing development of weapons of mass destruction. Other exports under then-President Ronald Reagan and President Bush included a welding machine Iraq bought to make centrifuges for enriching uranium needed in nuclear weapons, chemicals that Iraq used to make poison gases, and bacteria or fungus cultures that Iraq may have turned into germ weapons.

But the glass fiber factory was perhaps the most blatant example of a high-level warning by the Bush administration that was inexplicably ignored by those charged with policing U.S. exports to prevent the proliferation of weapons of mass destruction.

Although the circumstances of the government's approval of the export remain unclear, several of

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officials offered two possible explanations.

One is that the Commerce Department was never told about concerns over glass fiber technology that Washington shared with overseas governments.

The other is that the Commerce Department let the export go forward—over what some officials say were strong objections by the Defense Department—because its restrictions were simply not tight enough to stop it—a condition the administration corrected only after the Iraqi invasion of Kuwait in August 1990.

Gordon Cooper, a former vice president of the Cleveland-based Matrix-Churchill Corp.—which Cooper said was Iraq's agent in buying the glass fiber factory—said the contract was signed in 1988 with an Iraqi state-owned operation known as Nassr State Enterprise. "At the time, I did not suspect they were involved in military stuff," Cooper said.

The CIA had known since the 1970s that Nassr was a key military installation, and became aware of its role in making Iraqi missiles in 1987 and its role in making centrifuges for the Iraqi nuclear program in 1989, according to a knowledgeable U.S. official. In 1990, it identified Nassr's director general as Safa Habobi, who was also listed in Matrix-Churchill's records as its chairman.

When the State Department warned other nations about Iraq's attempted acquisition of glass fiber technology in 1990, it specifically said the U.S. government "has learned that Iraq's Nassr State Enterprise has been seeking a glass-fiber production plant" and referred to its nuclear and missile roles, according to a copy of the secret cable obtained by The Washington Post.

Although Nassr signed the initial contract, Iraq listed the glass fiber

factory's purchaser in its November 1989 export license application as TECHCORP, which gave a Baghdad post office box as its address. Officials said that a fundamental U.S. government rule is to be wary of exporting sensitive technology to a foreign post office box.

In this case, the Bush administration had much more specific cause for concern. TECHCORP was known to U.S. officials at the time as, an abbreviation for the Iraqi Technical Corps for Special Projects, identified in a secret September 1989 CIA report as having overall responsibility for Iraq's "highest priority military projects—chemical weapons, long-range missile programs, nuclear programs."

Moreover, a June 1989 classified Defense Intelligence Agency report identified the British-based parent company of Matrix-Churchill as an Iraqi-owned linchpin for its covert procurement of military technologies, according to Gonzalez.

"We did nothing that was illegal or wrong" at the U.S. offices of Matrix-Churchill, Cooper said. "The only thing we were guilty of was being Iraqi-owned at the wrong time." No charges have been filed against the firm or its 11 former employees, although Matrix-Churchill chairman Habobi was indicted by the government this spring for alleged involvement in illicit loans to Iraq by the Atlanta-based Banca Nazionale del Lavoro.

After Iraq's invasion of Kuwait, the U.S. Treasury Department itself cited Matrix-Churchill's role in "illegally acquiring critical weapons technology" as grounds for closing the company's doors and confiscating its records. But before the invasion, there was no official public mention of this role and no Bush administration effort to interrupt its activities, according to official sources.

Cooper said in an interview that before the forced shutdown, the

U.S. government's sole expression of concern came in the spring of 1990 when someone who identified himself as a CIA employee called the firm's Ohio attorneys to ask what services Matrix-Churchill performed. He said the alleged CIA employee hung up when the attorneys declined to answer, and he never called back.

Cooper said that Habobi specifically instructed employees not to obtain any military-related equipment. But Habobi, who was also chairman of two other companies identified by U.S. and British authorities as Iraqi fronts, was described in a 1989 U.S. intelligence report as a key agent of the country's arms procurement network. Habobi is thought to be in Jordan and could not be reached for comment.

Cooper said "I wondered myself" whether the buyer was interested in using the glass fiber plant for military applications, partly because in 1988 he noticed rocket nose cones at the Chino, Calif., headquarters of Glass Inc. International—the firm that sold the glass fiber plant to Iraq. But Cooper said he was twice assured by Al Lewis, the Glass Inc. president, that the factory could not

be used for nuclear and missile applications.

Cooper said Iraqi officials spoke only of making glass fiber storage tanks. Lewis declined in an interview Friday to answer detailed questions about the export and referred inquiries to his lawyer, Evan Williams, who did not return repeated phone calls. "We did not do anything wrong," Lewis said, adding that his firm is still owed money from the factory's sale to Iraq.

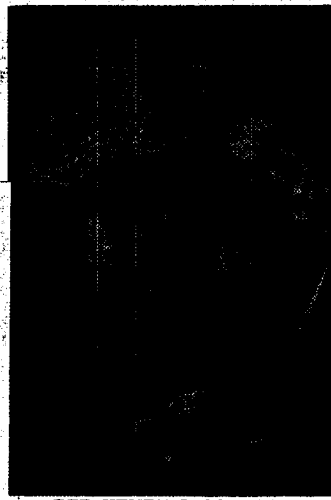
Roland Davis, a 57-year-old engineer who was hired in 1988 by Matrix-Churchill to be operations manager for the plant's acquisition, said in an interview that he too wondered on several occasions if it would be used for military purposes.

Davis said that on meeting Habobi in 1989, he told a co-worker that "my gut feeling was that Habobi was an intelligence agent for the Iraqi government." But he said he relied on his own technical expertise and Iraqi assurances in concluding that the plant was not meant for military uses.

The February 1990 State Department cable said the government was "exercising special caution to ensure that companies" making glass fiber technology knew they required an export license, and also that "given U.S. policy," such licenses would not be granted.

Three months later, according to a copy of Davis's notes in Matrix-Churchill files, a Commerce Department official told him the government was concerned about the fact that the factory's end-user was "suspected of having ties with the Iraqi military."

Davis said he was told that the Defense Department and two branches of the Commerce Department export licensing administration had recommended rejecting the license.



**REP. HENRY B. GONZALEZ**

... investigating policy toward Iraq

One month later, however, this situation turned around. Another Matrix-Churchill employee wrote to Lewis that the Commerce Department had advised him "since no export license is required, the end-user does not matter anymore." On June 4, 1990, two months before the Kuwait invasion, the department formally notified Matrix-Churchill that "the equipment specifically identified on this application does not need a validated license."

The factory's equipment was then hurriedly shipped, with all but the final crates arriving before the invasion caused an international embargo of trade with Iraq. The last crates subsequently were off-loaded in Aqaba, Jordan, and purchased by Iraq at an auction, according to Davis.

Davis said he visited the plant site in Iraq in 1988. But he explained that it was not until he saw a video earlier this year of a United Nations inspection of Iraqi centrifuge manufacturing operations at Taji, where the Nassr State Enterprise is located, that he realized the glass fiber factory was located just "across the road."

"I think the [U.S.] government knew more than I did" about the plant's true purpose at the time he was working on it, Davis said.

# U.N. and Iraq End Inspection Standoff

## *Bush Warns of Further Confrontations*

By Ann Devroy  
Washington Post Staff Writer

A United Nations envoy yesterday announced an end to the tense standoff with Iraq over weapons inspections, but President Bush—calling Iraqi President Saddam Hussein “a bully, a dictator, a brutal merchant of death”—warned of continuing confrontation as Iraq tests U.S. willingness to risk military action in the midst of a presidential campaign.

At the United Nations, Rolf Ekeus, director of the U.N. commission charged with inspecting and destroying Iraq's weapons of mass destruction, told reporters that Iraq had agreed to a new inspection team that is scheduled to enter the Agricultural Ministry building in Baghdad Tuesday. Iraq's refusal to allow inspection of that building had been the immediate cause of a 21-day standoff. But Ekeus and all senior U.S. officials acknowledged it was unlikely the team would find anything of value because of the lengthy delay.

The team, appointed and accompanied by Ekeus, has been reconfigured to place a German, rather than an American, at its head, and to include two Americans who will

remain outside the building to examine material, rather than inspect inside. Iraq had objected to allowing inside its government buildings citizens of the countries that defeated it in last year's Persian Gulf War.

In Washington, Bush arrived on the White House South Lawn from a weekend in Camp David to bitterly condemn Saddam in language deliberately aimed at humiliating the Iraqi leader. While noting Saddam's “cave-in after a lot of bluster,” Bush read off a list of U.N. agreements Saddam is accused of violating in addition to resisting the inspections.

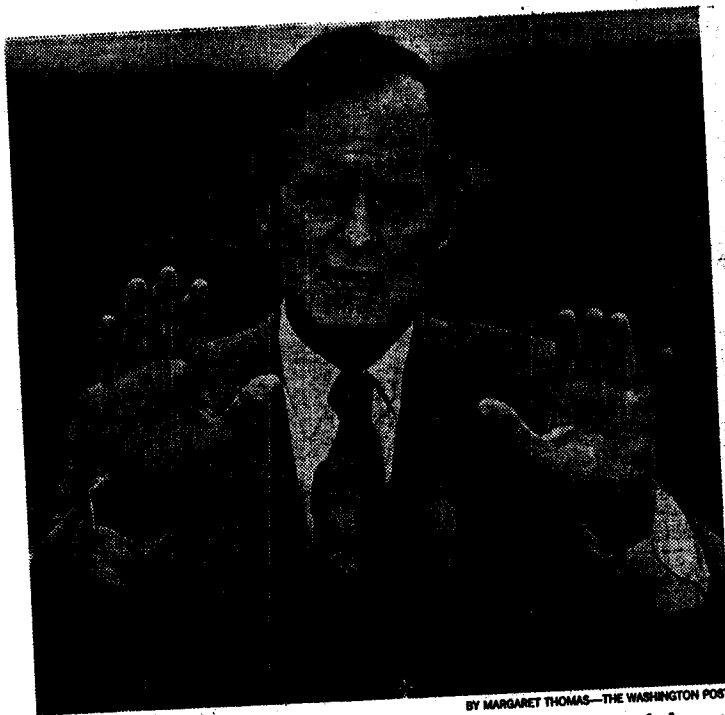
Bush's statement that no immediate U.S. action is needed lessened the sense of pending military confrontation, but the president also accused Saddam of refusing to negotiate over Iraq's border dispute with Kuwait, of refusing to release detained Kuwaiti citizens, of thwarting U.N. humanitarian efforts and of persecuting the Shiites in the south of Iraq and the Kurds in the north—all violations of the cease-fire agreements that ended the gulf war.

Saddam, Bush said, had “caved in” only after “deliberately and callously harassing and abusing” U.N.

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read George Bush once before, and he is probably misreading him and the situation now. He may believe that the president is so politically weakened, he cannot do anything and this is the time to call our bluff."

Some of the president's political advisers strenuously dispute a thesis that Bush could provoke a military confrontation to recapture the popularity he has lost since the successful end of the gulf war. One of them said yesterday, "To engage in a military move now is a ridiculously high-risk move, and there are a half-dozen reasons why. You remind the voters that the job was not done and Saddam is still there; you risk



BY MARGARET THOMAS—THE WASHINGTON POST

President Bush tells reporters that Iraq "caved in" only after "callously harassing

American prisoners-of-war and deaths with no guarantee of any success other than the bombing itself; you open yourself to being accused of resuming a war for political reasons—and you can deny that to death and many voters won't believe it. The minuses far outweigh the potential pluses."

The official said that most Bush aides view the Iraq situation "not as a political opportunity but as evidence that presidents are captives of the office they hold, and that gives them a tremendous number of advantages but also means they cannot avoid" responding to events.

## IRAQ, From A1

inspectors, and he predicted no let-up in tension with Iraq as inspections of the agriculture ministry and other sites go forward. Echoing a string of administration officials who took to the television talk shows yesterday, Bush outlined what he called a new "pattern of willful non-compliance" with the U.N. resolutions and warned that "we cannot tolerate" continued defiance.

What further action the administration might take, in conjunction with the United Nations and U.S. allies, is "an open question," Undersecretary of State Lawrence S. Eagleburger said on ABC's "This Week With David Brinkley."

As a demonstration of resolve, the Pentagon yesterday ordered the aircraft carrier USS John F. Kennedy and eight accompanying warships to cut short a port visit in St. Thomas, Virgin Islands, and head for the Mediterranean. Another carrier, USS Saratoga, is already in the Mediterranean and a third, USS Independence, is in the gulf region.

The Pentagon also is considering moving a Patriot missile battery into the region to guard against possible Iraqi Scud missile attacks, a Pentagon official said. The official declined to specify the destination except to say it was not Israel. The frequent target of Scuds during the gulf war, Israel already has installed several Patriot batteries.

A senior official said in an interview that the White House regards the Iraqi decision as little more than "a tactical retreat" while the regime continues its defiance and said the administration will consult allies on additional measures that might force a broader shift in Iraq's behavior.

The solution worked out at the United Nations appears to defuse a mounting crisis while giving each side a concession. However, it also gave the impression that Iraq had succeeded in part in dictating the composition of the team.

Since the crisis began July 5, Baghdad had refused to allow the inspectors into the agriculture ministry building, claiming that the team was being used by the United States and its allies for espionage. Iraqi officials argued that the in-

spection would violate the country's sovereignty and threaten its security.

Baghdad had initially demanded that the inspectors be citizens of neutral or non-aligned countries. Instead, the six-person team scheduled to enter the building Tuesday will be made up of two Germans and inspectors from Finland, Sweden, Switzerland and Russia. One Russian inspector will join the two Americans outside the building.

In describing the composition of the new team, Ekeus acknowledged that "we took into account certain signals and sensibilities without compromising the quality of the inspection."

When asked if the threat of force had helped him secure a deal with the Iraqis, Ekeus said, "I'm afraid that it helped. It was difficult to get the seriousness [of the confrontation] through to the Iraqis."

However, a U.N. official said that Ekeus had threatened to resign if there was not a peaceful solution. The threat appeared aimed at the United States and its allies, which had warned that a military strike on Iraq was increasingly likely.

U.S. officials yesterday portrayed Saddam as engaging in a broad pattern of defiance, and two of them said in interviews that they believe it may be partially connected to a belief by the Iraqi leader that Bush is too politically weak to assemble a coalition and launch military action as he struggles with his reelection effort.

Saddam "has within the last few weeks embarked upon a course of apparent confrontation with the United Nations, refusing to comply," Defense Secretary Richard B. Cheney said on NBC's "Meet the Press." "The question is his non-compliance across a broad front that has developed in recent weeks and that we think, and our coalition partners think, is unacceptable."

Asked if Iraq's backing down on the inspection would end the crisis, Brent Scowcroft, the president's national security adviser, said no.

"No, that doesn't end it," he said on CBS's "Face the Nation." "That deals with the tip of the iceberg, and the whole iceberg remains."

A senior official, speculating on Saddam's motives, said, "He mis-

# Baker to Meet With Exiled Iraqis

## 2 Kurdish Leaders Among Group Due This Week in Washington

By Caryle Murphy  
Washington Post Foreign Service

AMMAN, Jordan, July 26—A delegation of Iraqi opposition figures, including the two principal Kurdish leaders, will meet this week in Washington with Secretary of State James H. Baker III, Iraqi and U.S. sources said.

The meeting would be the highest-level talks between a U.S. official and Iraqi opponents of President Saddam Hussein. It does not appear to stem from the latest crisis between the United Nations and Baghdad, since such a meeting was discussed before the confrontation began, the sources said.

Baker may also have agreed to see Saddam's opponents because of Democratic campaign criticism that the administration has not helped the opposition enough, two U.S. sources said. Democratic vice presidential candidate Albert Gore met today with Kurdish leader Jalal Talabani and others who will confer with Baker Wednesday, a U.S. government source said.

The Democratic criticism "was a major reason" for Baker agreeing to the meeting, the source said. "I think that jumped the level" at which the Iraqis will be received, he added.

Until now, U.S. officials had been reluctant to appear favoring anyone in the severely fractured Iraqi opposition. For more than a year, they have urged the numerous groups to unify, select a representative leadership, and draw up a political program for a democratic, pluralist, post-Saddam Iraq. To that end, official contacts with opposition figures were limited to the level of assistant secretary of state or lower.

The delegation Baker will receive does not encompass the whole spectrum of the opposition. It does cover the three main ethnic groups in Iraq: Kurdish leaders

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— An exiled Iraqi

Talabani and Massoud Barzani, as well as Shiite and Sunni Muslim individuals, including a former prime minister.

The delegation is drawn from Iraqis who attended a conference of opposition groups recently in Vienna. Other groups supported by Iraq's neighbors, Syria, Iran and Saudi Arabia, boycotted that meeting because those three countries—each promoting its proteges in the exiled Iraqi community—objected to the conference's independence from their control.

After the Vienna meeting, Riyadh, Damascus and Tehran decided to host another Iraqi opposition conference in Saudi Arabia later this summer, several Iraqi sources said. But a usually reliable Iraqi source said today that it was postponed by the Saudis following Baker's meeting with King Fahd last week.

Without offering evidence, many Iraqis said the United States financed and organized the Vienna conference. Any exiled group seen to be allied with Washington faces resistance from Iraqis at home be-

cause of their fierce nationalism and resentment of the United States caused by the continued U.N. economic sanctions.

"Iraqis inside are saying that the Americans are bringing a minority to rule us," said an exiled Iraqi with contracts in Iraq after the Vienna conference.

Nevertheless, Iraqis backing those slated to meet Baker have expectations that the encounter will give them added credibility. "We are hoping that after the meeting with Mr. Baker, there will be some kind of high-ranking leadership" recognized by Washington, said a London-based Iraqi opposition activist.

Far from uniting, the exiled opposition is even more divided since the Vienna conference. Among those who will meet Baker, only Talabani and Barzani are elected leaders with a demonstrated constituency inside Iraq. Few exiled Iraqi figures can claim any sizable following in their homeland.

An added problem for the exiled opposition is its dearth of Sunni Muslims who might be acceptable to this crucial minority inside Iraq. It has been the core of Saddam's support, and its participation would be key to overthrowing him and forging a new national political consensus.

A Jordanian who follows Iraqi affairs said there is a growing anti-Saddam movement among these Sunni Muslims but they have also vowed "to stop any Kurdish, Shiite or pro-American government" that might be set up after Saddam. If these Sunnis are worried that Baker's encounter this week might lead to such a government, said a U.S. analyst, they may be more motivated to act on their own to remove Saddam.