

# U.S. Officials Defend Prewar Support for Iraq

By George Lardner Jr.

Washington Post Staff Writer

Aggrily pounding the witness table at times, Deputy Secretary of State Lawrence S. Eagleburger yesterday defended the Bush administration's prewar support of Iraq as a "modest" and "prudent" approach that has been distorted by selective disclosures of classified documents.

"It is clear that policy did not work," Eagleburger said of the government's attempts to cultivate Iraqi President Saddam Hussein prior to Iraq's 1990 invasion of Kuwait. "We tried. Because we tried does not mean that we created a

Franklin D. Roosevelt, the U.S. government officials appeared before the House Intelligence Committee yesterday to present the administration's first so-called public response to a growing stream of Democratic charges that U.S. dealings with Baghdad before the war were not only misguided but possibly illegal. The officials denied the charges and said their attempt to develop what Eagleburger called "a modicum of economic relationship with Iraq was a sensible approach now being unfairly dissected with the benefit of hindsight."

Quite frankly, the selective disclosure—out of context—of classified documents has led—knowingly or otherwise—to distortions of the record, half truths and outright falsehoods, all combined into spurious conspiracy theories and charges of a coverup," Eagleburger protested. The main focus of the hearing was the administration's persistence in maintaining the Commodity Credit Corp. (CCC) program with Baghdad, which was the cornerstone of U.S.-Iraq relations. U.S. officials decided in the fall of 1989 to grant Iraq an additional \$1 billion new CCC credit.

See IRAQ, A39, Col. 1

# U.S. Support of Iraq Called 'Prudent'

IRAQ, From A1

its to finance exports of food and farm products, despite a bank scandal that had emerged in Atlanta indicating the program had been riddled with fraud. There were even reports then that CCC-guaranteed funds or food shipments might have been diverted by Baghdad to third parties in exchange for military hardware and nuclear-related equipment. But it took six months and sharply deteriorating relations with Baghdad before the program was canceled.

Throughout the day yesterday, administration witnesses said there was no specific evidence that such diversions had taken place, but it became clear by day's end that Agriculture Department investigators never thoroughly pursued the matter.

Under questioning by Rep. Bruce F. Vento (D-Minn.), Undersecretary of Agriculture for International Affairs Richard T. Crowder acknowledged that a special review team sent to Baghdad in April 1990 traced U.S. food shipments only to ports of entry outside Iraq and that the only evidence the shipments had indeed been delivered by truck to Baghdad consisted of thousands of individual truck manifests and customs records, all in Arabic or Turkish.

A May 1990 Agriculture Department report of that investigation said the team, unable to "audit this huge number of documents," obtained samples from Baghdad that would be "translated and reviewed." At the same time, the report concluded there was "no evidence to suggest that here has been diversion of commodities sold to Iraq."

Crowder said yesterday that the Arabic sample documents still have not been translated. He said the purpose of the special review was "to determine evidence of program wrongdoing" on the part of Iraq, and the team found enough of that in the form of inflated commodity sale prices, sham taxes and kickbacks in the form of "after-sale ser-

vices" demanded of exporters.

"But you've made a conclusion that there was no diversion," Vento complained. He pointed out that additional, computerized records kept in Amman, Jordan, by the main company handling the food shipments were offered to the Agriculture Department investigators, but they never bothered to get them.

"It seems to me this is a rather large loophole," Vento said.

Committee Chairman Henry B. Gonzalez (D-Tex.) opened yesterday's hearing with a warning that the committee may resort to subpoenas if necessary to call White House witnesses and obtain more documents.

The Justice Department notified Gonzalez last week his committee will not be provided with any more classified records if he persists in publishing selections in the Congressional Record. The White House yesterday declined to permit appearances by two witnesses requested by the committee—presidential assistant Richard Haass and former presidential assistant Stephen Danzansky.

The first administration witness, Deputy Treasury Secretary John E. Robson, outlined the interagency meetings in the fall of 1989 that led in November to approval of another \$1 billion in CCC credits for Iraq, which was to be paid in two equal installments. The second \$500 million, Robson said, was "contingent on satisfactory resolution" of the investigations involving the Atlanta branch of the Banco Nazionale del

Lavoro (BNL), Iraq's main source of credit in the United States.

As a result, the second \$500 million was never approved. But between 1983 and 1990, Iraq received a total of \$5 billion in credits and defaulted on \$2 billion after its invasion of Kuwait.

Robson said "concerns were raised" about the BNL affair when the question of new credits for Baghdad was debated in 1989, but there was at that time "no firm evidence of Iraqi official involvement or complicity in improprieties in connection with the CCC program."

Eagleburger said the bank was specifically excluded from the new CCC program for Iraq. He dismissed as mere "speculation" an Oct. 13, 1989, State Department memo that had warned of possible kickbacks and diversion of CCC-guaranteed commodities.

Testifying in tense and occasionally indignant tones, Eagleburger described U.S. policy toward Baghdad as "a subtle leaning" toward Iraq during the Iraq-Iran war, which lasted from 1980 to 1988. After the war, Eagleburger said, the United States pursued a "slow and steady" course trying to improve its relationship with Iraq.

Eagleburger concluded by taking sharp exception to Gonzalez's accusations in recent months that Eagleburger had "past ties to BNL" because the bank was a client of the consulting firm of Kissinger Associates. Eagleburger was president of the firm before joining the State Department in 1989. Eagleburger said he did not recall doing any substantive work for BNL and had played no role in the administration's handling of the BNL scandal.