SUSTAINABLE ENERGY
& ECONOMY NETWORK
INSTITUTE FOR POLICY STUDIES
MARCH 2003

IPS

HOW OIL INTERESTS OBSCURED U.S. GOVERNMENT FOCUS ON CHEMICAL WEAPONS USE BY SADDAM HUSSEIN

CRUDE VISION

AN INVESTIGATIVE REPORT BY JIM VALLETTE WITH STEVE KRETZMANN AND DAPHNE WYSHAM

Introduction

"While Iraq is not unique in possessing these weapons, it is the only country which has used them—not just against its enemies, but its own people as well. We must assume that Saddam is prepared to use them again. This poses a danger to our friends, our allies, and to our nation . . . Saddam is more wily, brutal and conspiratorial than any likely conspiracy the United States might mobilize against him. Saddam must be overpowered . . ."

- Donald Rumsfeld, Robert McFarlane, Judge William Clark et al., February 19, 1998.

The Bush Administration claims that war with Iraq has nothing to do with oil, and everything to do with disarming Iraq of its "weapons of mass destruction," including its chemical weapons. On November 15, 2002, Secretary of Defense Donald Rumsfeld told a radio audience that any notion that oil is a factor in the focus on "regime change" in Iraq is "nonsense:" "It just isn't [a factor.] There are certain things like that, myths that are floating around. It has nothing to do with oil, literally nothing to do with oil."[1]

However, since the 1973 Arab oil embargo, successive administrations have equated national security with access to, and control of, oil - particularly in the Persian Gulf, which holds two-thirds of global oil reserves. "Regime change" is simply the latest and most aggressive posture the U.S. has assumed in an effort to ensure the long-term availability of Iraqi oil for U.S. industry and consumers—an effort that dates back 40 years to a CIA-aided coup.[2]

This brief examines never-before-published government and corporate memoranda, letters, and telegrams, which we found in the National Archives, along with government documents recently published by the National Security Archive. Selected copies of the National Archives-sourced correspondence are available on our website, www.seen.org. Others are cited herein and many are available upon request. The National Security Archives-released documents may be found at:

http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB82/

Our examination shines a new spotlight on the revolving door between Bechtel and the Reagan Administration that drove U.S.-Iraq interactions between 1983 and 1985. The men who courted Saddam while he gassed Iranians are now waging war against him, ostensibly because he holds weapons of mass destruction. To a man, they now deny that oil has anything to do with the conflict. Yet during the Reagan Administration, and in the years leading up to the present conflict, these men shaped and implemented a strategy that has everything to do with securing Iraqi oil exports. All of this documentation suggests that Reagan Administration officials bent many rules to convince Saddam Hussein to open up a pipeline of central interest to the US, from Iraq to Jordan.

Rumsfeld courted Saddam while he gassed Iranians and is now waging war against him, ostensibly because he holds weapons of mass destruction.

This project, the Aqaba pipeline, was critical not only because it would mean more oil flowing to Western markets; crude would also avoid the thorny Persian Gulf and Straits of Hormuz altogether by passing, instead, through the Red Sea.

This paper reveals how the White House, through the Department of State and the National Security Council, pressured the U.S. Export-Import Bank (Ex-Im) and U.S. Overseas Private Investment Corporation (OPIC) to approve financing for this deal. Reagan officials ignored all sorts of travesties at the hands of Saddam Hussein while they pursued this goal with single-minded focus.

Finally, this paper shows that the main actors in the 1980s drama are now back on center stage, this time justifying military action against Iraq in terms of national security. These men's conduct during the Reagan administration — when they negotiated a major oil pipeline deal on behalf of Bechtel with Iraq — belies their present insistence that Saddam Hussein must be toppled because he holds weapons of mass destruction and is tied to terrorists.

Among our key findings, confirmed by never-before published government and corporate documents:

Secretary of State George Shultz orchestrated the initial discussions with Iraq. Out of public view, he pushed the pipeline project on behalf of his former company, Bechtel. Behind the scenes, Shultz composed Donald Rumsfeld's pipeline pitch to Saddam. (At the time, Rumsfeld, officially, was a special envoy on a peace mission to the Middle East.)

From 1983 to 1988, Iraqi warplanes dropped over 13,000 chemical bombs. Iran first reported Iraq's use of chemical warfare well before Rumsfeld met with Saddam in December 1983, yet Reagan's envoy recorded no discussion of this horror. Instead, Rumsfeld impressed upon Saddam the U.S.' desire to help Iraq increase its oil exports. He reiterated this desire in a March 26, 1984, meeting with Iraqi Deputy Prime Minister Tariq Aziz, the same day that a UN panel unanimously concluded that Iraq dropped chemical munitions on Iranian troops.

Four days after officially condemning Iraq for using chemical weapons on the Iranians, the State Department desk officer for Iraq pressured U.S. Export-Import Bank to initiate short-term loans for Iraq "for foreign relations purposes"—to build a pipeline from Iraq to Jordan.[3]

Following Hussein's use of chemical weapons on the Iranians, the only response was instructions, recorded by

Shultz, to the Iraqis that they not put Americans in the "embarrassing situation" of buying future chemicals that could be the "source of supply for anything that could contribute to production of CW [chemical weapons]." Reagan officials spent much more time decrying the role of "Iranian revolutionaries" in fostering bloodshed. In private, they forged ahead with the pipeline plan and assured the Iraqis that "We do not want this issue to dominate our bilateral relationship."[4]

The U.S. Export-Import Bank and U.S. Overseas Private Investment Corporation, two government-backed export guarantee and credit agencies, were pressured by the Reagan Administration and private individuals lobbying on behalf of Bechtel to provide over $500 million in financing and insurance to the Aqaba pipeline.

Government officials and pipeline agents attempted several dubious methods of assuaging Hussein's concerns about a possible Israeli attack on the pipeline. These included secret plans to funnel pipeline income into the Israeli Labor Party and to assign U.S. aid to Israel or U.S. Defense Department funds as collateral in case of an attack on the pipeline. Judge William Clark, while on the payroll of the Bechtel pipeline promoters, flew to Baghdad as a representative of President Reagan and the National Security Council.

Two years after Rumsfeld first pitched the plan, Saddam issued a terse rejection. U.S.–Iraqi oil business relations have never been the same.

Many of the same U.S. officials and quasi-officials involved in the Aqaba pipeline project have orchestrated the current Bush/Cheney initiative against Iraq. In recent months, these men have denied any linkage between oil and war; but in previous years, these men repeatedly invoked the Iraqi threat to global energy security as a just cause for war.

The hard lesson of the Aqaba pipeline project, it seems, is that an "evil dictator" is a friend of the United States when he is willing to make a deal, and a mortal enemy when he is not.

Timeline:

Iraq war: Origins of conflict

1911: Turkish, German and British interests form the Turkish Petroleum Corporation to explore Iraq, then known as Mesopotamia

1920s: United Kingdom gains control over oil development in Mesopotamia. The national boundaries of the new Iraq are drawn. Herbert Hoover and other officials demand entry of U.S. oil interests, led by the predecessors of today's ExxonMobil, which gain minority shares in the TPC, which is renamed the Iraq Petroleum Company. Other shareholders are Anglo-Persian (today's BP-Amoco), Royal Dutch-Shell, and the new French government-controlled Companie Francaise des Petroles (CFP, today's TotalFinaElf).

1934: IPC begins producing oil from the huge Kirkuk field.

1940s: British forces use air strikes and a land invasion to counter the elected nationalist Iraqi, Rashid Ali, who tilted the country toward Germany. After the conclusion of World War II, a State Department assessment finds that Middle East oil "constituted a stupendous source of strategic power, and one of the greatest material prizes in world history—probably the richest economic prize in the world in the field of foreign investment."

1961: General Abdel Karim Qassim nationalizes all of IPC's prospecting tracts and leaves the foreign consortium with only its three producing fields.

February 1963: A CIA-assisted coup sweeps Qassim from office, and he is summarily shot.

July 1968: The Ba'athist regime—that which empowered Saddam Hussein – takes control in a bloodless coup.

June 1, 1972: The Ba'athist government grabs the remainder of IPC's assets in Iraq, except for IPC's interests in Basrah Petroleum which the government took over in 1975. At the time of the nationalization, the ownership structure was essentially the same as it was in the 1920s: Exxon, Mobil, BP, and Total.

May 1981: State Department official Thomas Eagleton meets with Iraqi Deputy Prime Minister Tariq Aziz, and signals a thaw in U.S.-Iraqi oil business relations.

August 13, 1981: Iranian news agency reports that Iraq used chemical weapons in a mountain pass battle.

March 1982: Syria, pledging solidarity with Iran, closes a major oil export pipeline from Iraq.

1983 to 1988: Iraqi planes drop at least 13,000 chemical bombs.

October-November 1983: Iranian government cites several Iraqi air and ground chemical attacks.

December 2, 1983: State Department invites Bechtel officials to discuss a new oil pipeline to run from Iraq to the Gulf of Aqaba, Jordan.

December 20, 1983: President Reagan's special Middle East envoy, Donald Rumsfeld, meets with Aziz and Hussein in Baghdad. Much talk revolves around the Bechtel pipeline proposal. No mention is made of any discussion of weapons of mass destruction, despite Iraq having allegedly used them in recent weeks.

January 14, 1984: Secretary of State George Shultz considers "virtually all sales of non-munitions list dual use equipment to Iraq," and adds, "there are recent reports that Iraq is giving priority to pursuing an Aqaba pipeline as an additional oil export outlet."

February 29, 1984: Bechtel executive notes that "the State Department has exerted strong pressure on Ex-Im to make additional credits available [in Iraq], including for this pipeline."

March 5, 1984: U.S. State Department issues a public statement condemning Iraq's use of chemical weapons in the war against Iran.

March 9, 1984: State Department official urges Ex-Im to start short-term loans for Iraq "for foreign relations purposes."

March 24, 1984: In message to Rumsfeld, Secretary Shultz worries that the Iraq-U.S. relationship was becoming more distant because of the March 5 condemnation. He also worries about "Iraqi perceptions that Ex-Im financing for the Aqaba pipeline is out of the question."

March 26, 1984: Rumsfeld again meets with Aziz in Baghdad to discuss regional politics and the pipeline. The same day, a United Nations investigation confirms that Iraqi forces had used chemical munitions against Iran.

April 6, 1984: U.S. diplomat James Placke meets with Iraqi diplomat Kizam Hamdoon in Amman, Jordan, and asks Iraq not to "embarrass" the United States by purchasing chemical weapons from U.S. suppliers.

May 25, 1984: After Iraqi and Jordanian officials authorize preparatory documents, Bechtel official H.B. Scott tells his colleagues that "U.S. government officials at the highest level in Washington know of the project and the President supports the concept… I cannot emphasize enough the need for maximum Bechtel management effort at all levels of the US Government and industry to support this project. It has significant geopolitical overtones…. The time may be right for this project to move promptly with very significant rewards to Bechtel for having made it possible."

June 21, 1984: Ex-Im's board of directors approves a preliminary commitment of $484.5 million in loan guarantees for the Aqaba pipeline project. Ex-Im maintained this commitment until 1986.

July 24, 1984: Bechtel applies for $85 million in political risk insurance from OPIC.

January 1985: Swiss billionaire Bruce Rappaport, friend of Israeli Prime Minister Simon Peres, negotiates deal with Bechtel that would give him an exclusive oil-lift agreement and a 10 percent discount on the oil purchase price. Rappaport calls this "a quid pro quo for a written security guarantee" from Israel.

February 23, 1985: Edwin Meese III becomes U.S. Attorney General.

February 25, 1985: Peres gives his assurance that Israel will guarantee against "unprovoked aggression" toward the pipeline project. This promise apparently is not strong enough for Iraq. Rappaport turns his attention toward obtaining U.S. government insurance to back Peres' pledge.

May 1985: Rappaport hires Robert E. (Bob) Wallach to represent him in the pipeline project. Within hours, Wallach contacts Attorney General Meese. Wallach wants the U.S. government to extend political risk insurance for the Aqaba pipeline. Meese owes Wallach money for past legal assistance.

June 1985: At Meese's suggestion, National Security Council gets to work trying to figure out a financing arrangement that would not require congressional approval.

July 1985: Pipeline promoters hire James Schlesinger (the former Secretary of Energy, Secretary of Defense, and Director of the CIA) and William B. Clark, Reagan's former National Security Advisor.

August 1, 1985: Clark meets with Iraqi officials in Baghdad. He makes little progress.

September 25, 1985: Wallach hand-delivers a letter from Prime Minister Peres to Meese, who writes, "Discretion is demanded on our part." Wallach tells Meese that under an arrangement "which would be denied everywhere… a portion of these [pipeline] funds will go directly to labor." That is, pipeline income would be funneled into Peres' Labor Party.

December 1985: Robert McFarlane resigns as National Security Advisor, threatening financing arrangements sought by pipeline promoters.

December 31, 1985: Iraqi and Jordanian officials tell Bechtel the pipeline plan "does not satisfy our objectives" and rejects it.

January 29, 1986: Wallach, according to a Bechtel memo, tells the company that "it is now time to confidentially reveal to Iraqis that the funding behind the $400 million is Defense and other funds." A Bechtel executive remarked, "This was to have been done by Judge Clark when he went to Baghdad."

July 1, 1987: Bechtel asks OPIC to continue its registration for the project. "Although there is a low probability of going forward, please retain this registration," they request.

May 16, 1988: Under examination for, among other things, his role in the pipeline financial arrangements, Meese resigns as Attorney General.

March 20, 2003: U.S. forces invade Iraq with immediate goal of "regime change."

Iraq, Bechtel and the US Government: The 1980s

Bush-Cheney Administration officials, and their close associates, last tried to ensure the long-term supply of oil out of Iraq when they were working for the Reagan Administration, in the midst of the Iran-Iraq War. At the time, Iran was threatening Iraqi oil tankers in the Persian Gulf with attack. Saddam Hussein's troops were retaliating by using poison gas on Iranian troops, a war crime.

Despite the war and its atrocities, from 1983 to 1985, the Reagan White House took extraordinary measures to curry Saddam Hussein's favor. Their goal: to promote a new pipeline from the Euphrates River, in Iraq, to the Gulf of Aqaba, in Jordan. Their primary candidate for the billion-dollar pipeline's construction: Bechtel Corporation.

"I cannot emphasize enough the need for maximum Bechtel management effort at all levels of the US Government and industry to support this project," Bechtel executive H.B. Scott exhorted when it appeared a deal was close in 1984. "It has significant geopolitical overtones. The time may be right for this project to move promptly with very significant rewards to Bechtel for having made it possible."[5]

In eerie echoes of the events that transpired two decades ago, this same corporation – Bechtel – and Halliburton, Vice President Dick Cheney's former employer, stand poised to benefit from U.S. Agency for International Development-initiated post-war reconstruction contracts in Iraq worth upwards of $900 million.

Recently-released corporate and government documents reveal the ways in which oil interests, to a large degree, became entwined with "national security" objectives under Reagan. At Bechtel's behest, Reagan officials courted Saddam Hussein, then tried to ensure that the Iraqi dictator's main concern — that the pipeline would be vulnerable to Israeli attack — was addressed. Agents for the project obtained an Israeli guarantee of pipeline protection in exchange for a pledge to steer sizable oil profits from the Aqaba pipeline into Prime Minister Shimon Peres' Labor Party.

What follows is a chronological narration of events as revealed by the actors themselves in memos and other writings in their own words, obtained from the U.S. Government's National Archives and the non-profit National Security Archive.

But first, a note about the key players: They include many familiar names, and read like a "Who's Who" of men who have helped to craft the Bush-Cheney Administration's current initiative against Iraq: Donald Rumsfeld, Ed Meese, George Shultz, James Schlesinger, Robert McFarlane, Lawrence Eagleburger, Judge William Clark, to name a few.

Attorney General Edwin Meese's close association with this deal contributed to his ultimate political demise. But many other prominent officials in the Reagan Administration also had dubious roles in this desperate effort yet have remained unnamed in the public arena, until now.

George Shultz, then Secretary of State, worked actively behind the scenes to push the Aqaba pipeline proposal for his former employer, Bechtel.

Others like James Schlesinger and Judge William Clark obliterated the lines between public and private interests while they promoted the scheme in Baghdad and Washington.

When Saddam was talking business with the U.S., these officials saw his use of weapons of mass destruction only as a potential "embarrassment." Since then, U.S. corporations have seen lucrative oil production and pipeline projects contracted out to other interests, particularly the French, Russians, and Chinese. Now these same U.S. officials consider Saddam's weapons to be a cause for war.

When the dust settles on a probable U.S./British conquest, a certain company stands to gain a foothold in the Iraqi desert sought for at least two decades: Bechtel Corporation.

A History of Chemical Weapons Use in Iraq

From 1983 to 1988, according to recently released Iraqi government documents, the Iraqi air force dropped between 13,000 and 19,500 chemical bombs. Iraq's use of chemical weapons may have started much earlier than 1983. In August 13, 1981, the official Iranian news agency reported that Iraq used chemical weapons in a mountain pass battle in the northern end of the Iran-Iraq border. Iraq denied the allegation, saying that "it was part of Iran's campaign of lies. If Iraq had wanted to use such weapons, it would have done so long ago and against more important military targets than those mentioned by the Iranian agency."

However, by 1983, when Reagan officials were actively courting Iraq in the Aqaba pipeline deal, Iraq was definitively using chemical weapons against Iranian troops. In a letter to the United Nations, Iran accused Iraq of "persisting" in using chemical weapons on civilians and troops. Iranian ambassador Said Rajaie Khorassani claimed that on October 21, an Iraqi warplane dropped a chemical bomb near the village of Bademjan. "A white fume spread in the area causing severe skin injuries and several cases of loss of eyesight among people in the vicinity and 11 people lost their lives," the ambassador charged.

In October 22, 1983, Tehran radio reported that Iraqi forces fired "at least 20 chemical artillery shells" into Iranian troops near Panjwin. Baghdad radio more vaguely asserted that "our surface-to-surface missile batteries directed crushing, deterring strikes at selected targets deep inside enemy territory and at the areas of its army concentrations."

The Iranian government further claimed that on November 7, 1983, 20 Iranian fighters "were wounded as… Iraqi war planes dropped chemical bombs on the Sheikh-Lar region… Iraqi forces have deployed chemical weapons several times in the past. In one instance on 9th August, more than 50 Iranian combatants suffered severe injuries as a result of chemical bombs dropped by Iraqi planes six kilometres west of the Piranshahr-Ravanduz road, in Kordestan province. The victims, who were later visited by foreign journalists, complained of painful burns on various parts of their bodies and severe irritation in their eyes."

A United Nations team provided the first outside confirmation that Iraq used chemical weapons in a March 26, 1984 report, which was released the same day that Rumsfeld met with Aziz to re-pitch the pipeline plan.

The most infamous case of Iraqi use of chemical weapons came in March 1988. According to Human Rights Watch, Iraq's Ba'ath Party ruler of the Kurdish region, Ali Hassan al-Majid, carried out his vow to launch a chemical attack on Kurds with chemical weapons. According to a tape obtained by Human Rights Watch, al-Majid vowed, "I will kill them all with chemical weapons! Who is going to say anything? The international community? F*** them! The international community, and those who listen to them! I will not attack them with chemicals just one day, but I will continue to attack them with chemicals for fifteen days."

On March 16, 1988, Iraqi aircraft released chemical agents over the Kurdish city of Halabja, killing at least 3,200 people.

SOURCES: Dr. Hans Blix, "An Update on Inspection," UNMOVIC, presentated to the Security Council, January 27, 2003; "Allegations of chemical warfare practised by Iraq," BBC Summary of World Broadcasts, August 14, 1981; "Foreign News Briefs," U.P.I., November 18, 1983; "Iraqi use of missiles and chemical weapons," BBC Summary of World Broadcasts, October 24, 1983; "The Iran-Iraq War: Iraq's alleged use of chemical weapons," IRNA, November 10, 1983, as quoted by BBC Summary of World Broadcasts, November 12, 1983; "Prosecute Iraq's 'Chemical Ali': Saddam Hussein Aide Accused of Atrocities Against Kurds," Human Rights News, Human Rights Watch, January 17, 2003.

Iranian Revolution: Planting the Seed of the Aqaba Pipeline

The seed for the Aqaba pipeline project fell from the Iranian revolution, which toppled the U.S.'s favorite Persian Gulf oil supplier, Mohammed Reza Shah Pahlavi. Soon after Iraq and Iran plunged into war, the Reagan Administration reopened doors for business with Iran's chief rival, Iraq. In May 1981, State Department official Thomas Eagleton met with Iraqi Deputy Prime Minister Tariq Aziz, and signaled a thaw in U.S.-Iraqi oil business relations, which had been frozen since Saddam Hussein nationalized U.S. oil interests in 1972.[6]

In another signal of thawing relations, in 1982, the State Department removed Iraq from the list of states that sponsor terrorism, despite the fact that it was still harboring terrorists such as Abu Nidal.[7] While U.S.-Iraqi relations thawed, Saddam ordered the use of chemical weapons against Iran. (See box.) In March 1982, Syria signaled its support for Iran, and opposition to Iraq, by closing Iraq's vital 400,000 barrels per day Trans-Syrian oil export pipeline.

But neither U.S. business nor U.S. Government officials suggested this use of chemical weapons was frowned upon. Instead, Bechtel plotted a new export route for Iraq's oil, while U.S. officials continued to intensify their efforts to build a business relationship with Iraq.

Rumsfeld meets Saddam

On November 3, 1983, President Reagan appointed Donald Rumsfeld – then working as CEO of the pharmaceutical company, Searle—as a special envoy to the Middle East. Later in the month, Reagan signed a National Security Directive that ordered political and military consultations to deter "attacks on or interference with non-belligerent shipping or on critical oil production and transshipment facilities in the Persian Gulf."[8]

The State Department, headed by the former CEO of Bechtel, George Shultz, began to work with Bechtel to create an alternative to exporting Iraqi oil from the Persian Gulf. On December 2, 1983, Bechtel official P.T. Hart met with Lucian Pugliaresi of the State Department's policy planning council. Hart reported to his colleagues that the meeting took place "at State's invitation to discuss Bechtel interest in the Jordan-Iraq pipeline… U.S. Department of State and the National Security Council continue to be most interested in means of exporting safely Iraqi crude oil."[9]

Days later, Rumsfeld flew to Baghdad to meet with Aziz and President Saddam Hussein. In advance of the meetings, a State Department briefing said Rumsfeld should inform the Iraqis that the US was ready to assist with alternatives to shipping oil through the Persian Gulf. He was to tell Hussein that "the US looks with favor on other means, such as the expansion of Iraqi pipeline capabilities through Saudi Arabia and possibly elsewhere [to] redress the Iran-Iraq oil export imbalance."[10]

Rumsfeld met with Aziz for two-and-a-half hours, and Hussein for 90 minutes, on December 20, 1983. Much talk revolved around the Bechtel pipeline proposal. No mention was made of any discussion of weapons of mass destruction, despite Iraq having allegedly used them three months earlier.

With Aziz, Rumsfeld reported:

> *"I noted that Iraq's oil exports were important…. I raised the question of a pipeline through Jordan. He said he was familiar with the proposal. It apparently*

was a US company's proposal. However, he was concerned with the proximity to Israel as the pipeline would enter the Gulf of Aqaba. He seemed to feel that the only way to prevent Israel from attacking such a vulnerable point would be to have a number of countries involved with the proposed pipeline and with the refinery. He said they are interested but need to find the right formula. He felt that it could be done for less than two billion dollars and recognized that it would take about two years because of the planning required. I said I could understand that there would need to be some sort of arrangements that would give those involved confidence that it would not be easily vulnerable. (This may be an issue to raise with Israel at the appropriate time.)"[11]

Placating Saddam

For the next two years, Reagan officials scrambled to placate Saddam's concerns about the perceived Israeli threat. Rumsfeld furthered the pipeline discussion the next day, in a 90-minute meeting with King Hussein of Jordan. [11]

State Department officials followed up Rumsfeld's visit with immediate steps to calm Saddam's perception of the project's vulnerability to an Israeli attack. On December 22, 1983, Lawrence Eagleburger, Undersecretary of State for Political Affairs approved an "action memorandum." He urged that the U.S. Export-Import Bank (Ex-Im) begin extending finance to Iraq. "Most importantly," reads the memo, "Ex-Im financing would signal our belief in the future viability of the Iraqi economy and secure a U.S. foothold in a potentially large export market." In a letter to Ex-Im president William Draper, Eagleburger noted that Iraq "has plans well advanced for an additional 50% increase in its oil exports by the end of 1984."[13]

For months, the State Department pressed Ex-Im to finance the project. At the same time, Reagan's National Security Council pressured another U.S. export credit agency, the Overseas Private Investment Corporation (OPIC), to back Bechtel's pipeline with insurance, guarantees, and a more unconventional approach detailed below.

Bechtel, U.S. government officials, and their well-connected agents, shuttled between Washington, Jerusalem, Baghdad, and Amman, for dozens of meetings aimed at cementing the pipeline deal, even while the fierce war raged between Iran and Iraq.

Chemical "Embarrassment"

Eagleburger's memo following a January 2, 1984, meeting with Aziz makes a veiled reference to the possible use of chemical weapons by Iraq if Iran does not allow it to export oil. "When I reiterated our desire to avoid escalation in the Gulf while helping Iraq increase its oil exports," he wrote. "Tariq Aziz restated the Iraqi position and added that before the end of this week an official statement will be issued reiterating Iraq's right to use all of its military capabilities [emphasis added], if Iran fails to respect Iraq's right to use the Gulf." Eagleburger commented no further on this assertion.[14]

A week later, Eagleburger cabled a report that "a member of the Iraqi leadership [informed a source] that the RCC [Revolutionary Command Council] had approved the pipeline project through Jordan to Aqaba."[15]

Reagan Administration efforts intensified. On January 14, 1984, Secretary of State George Shultz wrote to Rumsfeld with ideas for following up his meeting with Saddam. Shultz noted that the U.S. is considering permitting "virtually all sales of non-munitions list dual use equipment to Iraq." Shultz then discussed the Aqaba pipeline:

"There are recent reports that Iraq is giving priority to pursuing an Aqaba pipeline as an additional oil export outlet. We have had further discussions with Jordan, Iraq, and U.S. contractors on this possibility, and are considering how best to approach the Israelis to express our interest in the line's unhampered construction and operation."

Shultz also fretted that "Ex-Im does not favor involvement in Iraq." He noted that Eagleburger had written Ex-Im director Draper urging him to change this position.[16]

Shultz: United Loyalties to Corporation and Country

While the chemical weapons issue hardly registered with U.S. Government officials, neither did the potential conflict of interest by Shultz with his former employer, Bechtel, within the Reagan Administration. Between serving as President Richard Nixon's Secretary of Treasury and President Ronald Reagan's Secretary of State, Shultz worked eight years as Bechtel's president and director. It appears that, publicly, Shultz attempted to recuse himself from the Aqaba project, as might be legally and ethically required of him. But company and government memoranda show that he actively pushed the billion-dollar pipeline.

Later in the negotiations, Bechtel executive Eugene Moriarty explained this awkward position to a Jordanian official. "Although Mr. Shultz has isolated himself from the pipeline project because of Bechtel's involvement," Moriarty advised, "if HRH [King Hussein] or any of his staff initiate a discussion about Jordan's petroleum development and the related pipeline project, Mr. Shultz may not react directly, but his staff will be aware of the situation and will be in a position to do so on his behalf. [Emphasis added.] They will then be able to prepare a position paper for the forthcoming meeting later in May between HRH and President Reagan."[17]

Shultz's pressure on Ex-Im began to pay dividends. OPIC also began to warm up to the project. On February 9, 1984, while Iran launched a massive offensive against Iraq and the U.S. Navy was on high alert to keep the Straits of Hormuz open, a Bechtel official noted progress on government financial arrangements. James Bondoux, general manager of Bechtel Financing, reported that he had "spoken to Ex-Im Bank. It is reassessing its position and has scheduled a review of Iraq for month-end at the board level… OPIC can be helpful." Bechtel then made a preliminary request for OPIC insurance and finance. [18]

Later in the month, an internal memorandum to the Export-Import Bank board of directors recommended the consideration of short-term credits for projects in Iraq. The memorandum lists seven oil- and gas-related projects involving potential U.S. suppliers, including the oil pipeline to Jordan.[19]

"[A]pparently, the State Department has exerted strong pressure on Ex-Im to make additional credits available, including for this pipeline," noted Bechtel official H.C. Clark on February 29, 1984. "They have left the door open for this project…"[20]

Meanwhile, Iran's offensive progressed. Saddam Hussein continued to order the use of chemical weapons. (See box.) On March 5, 1984, the U.S. State Department issued a public statement condemning Iraq's use of chemical weapons in the war against Iran. However, while publicly shaming Iraq, privately the US Government persisted in their joint initiative with Bechtel to build the Aqaba pipeline. Four days after the official condemnation, according to a Bechtel internal memo, Frank Ricciardone, State Department desk officer for Iraq, said Ex-Im should start short-term loans for Iraq "for foreign relations purposes."[21]

On March 20, 1984, Bechtel officials met in Baghdad with Jordanian and Iraqi officials, who formed the High Joint Iraqi-Jordanian Committee as a negotiating tactic.[22]

Rather than express concern over the loss of human life due to the chemical weapons use by Iraq, on March 24, 1984, Secretary Shultz briefed Rumsfeld, who was planning to return to Baghdad, and noted that U.S.-Iraq relations were harmed by the March 5 condemnation of chemical weapons. Shultz noted with dismay the relationship was growing more distant "despite our repeated warnings that this issue [chemical weapons use by the Iraqis] would emerge [as a public issue] sooner or later."

The secretary of state worried that Ex-Im did not consider an application by Westinghouse for support in a power plant project in Iraq and that "this decision will only confirm Iraqi perceptions that Ex-Im financing for the Aqaba pipeline is out of the question." [23]

On March 26, 1984, Rumsfeld met with Aziz in Baghdad. That same day, a United Nations investigation confirmed that Iraqi forces had used chemical munitions against Iran.

The UN chemical warfare experts unanimously concluded "chemical weapons in the form of aerial bombs have been used in the areas inspected in Iran by the specialists. The types of chemical agents used were bis-(2-chlorethyl)-sulfide, also known as mustard gas, and ethyl N, N-dimethylphosphoroamidocyanidate, a nerve agent known as Tabun."[24]

The next day, Iraq launched a "tanker war" on Iran. Over the next several months, both sides attacked each other's tankers. Oil traffic in the Persian Gulf sharply declined.

On April 6, 1984, U.S. diplomat James Placke met with Iraqi diplomat Kizam Hamdoon in Amman, Jordan. Placke asked his Iraqi colleague not to "embarrass" the United States by purchasing chemical weapons from U.S. suppliers. "We would ask GOI's [Government of Iraq's] cooperation in avoiding situations that would lead to difficult and potentially embarrassing situation," reads a memo on the meeting written by Secretary Shultz. Placke added: "We do not want this issue to dominate our bilateral relationship…"

Ex-Im Bank, Israel Pressured for Cash, Guarantees

Placke returned to the subject of the proposed Iraq-Jordan pipeline, and noted the US Government was considering various options for financing the pipeline, in addition to Ex-Im loans—including an Israeli Government guarantee.[25]

From May 20-23, 1984, Bechtel executives met with the High Joint Iraqi/Jordanian Committee in Amman. After the meeting, Iraq and Jordanian officials authorized Bechtel "to proceed with the preparation of a plan."[26]

Meanwhile, the State Department's continued pressure on Ex-Im paid off. On June 21, 1984, Ex-Im's board of directors approved a preliminary commitment of $484.5 million in loan guarantees for the Aqaba pipeline project. Ex-Im maintained this commitment until 1986.

Bechtel, Iraqi, and Jordanian officials met on July 18, 1984. Aqaba pipeline security was their focus. Bechtel subsequently suggested twelve "practical measures" that would ensure pipeline security including the participation of American oil companies, American-flagged ships, and American contractors as deterrents against forces that would threaten the pipeline and terminal.[27]

For an added level of security, Bechtel applied for $85 million in political risk insurance from OPIC on July 24, 1984.

Courting Shimon

But there was one more option for pipeline security outside the U.S. yet to be explored: bribing the Israelis. In January 1985, Swiss billionaire Bruce Rappaport approached Bechtel with a solution to the pipeline security dilemma. He was a close friend of Israel's new prime minister, Shimon Peres. [28]

According to Independent Counsel James McKay, who later investigated the role of Attorney General Edwin Meese in the project, "In January 1985, [Rappaport] proposed to Bechtel that he obtain from his friend, Prime Minister of Israel Shimon Peres, a written guarantee of pipeline security [and]… asserted that he would assemble a fund to insure the debt service for the pipeline during any interruption caused by Israeli aggression. Mr. Rappaport insisted in his discussions with Bechtel that… Israel would require a quid pro quo for a written security guarantee," reported Independent Counsel McKay.

"[Rappaport] then negotiated with Bechtel an exclusive oil-lift agreement including a 10 percent discount. [It] would generate substantial profits for him, a portion of which he intended to pay to Israel…"[29]

Progress restarted at a high level. Rappaport's agent, Raz, wrote on January 10, 1985 that, "King Hussein and PM Rifai [Jordanian Prime Minister Zeid Rifai] will meet President Reagan early this week, believe pipeline will be discussed."[30]

For the next eleven months, Bechtel, Rappaport, and U.S. officials tried a variety of "gimmicks" to "break the impasse." But they were not successful.

On February 25, 1985, Israeli Prime Minister Shimon Peres gave his assurance that Israel will guarantee against "unprovoked aggression" toward the pipeline project. But project sponsors feared this language would not be strong enough to satisfy Iraq.[31]

McKay reported, "After it became apparent that he could not obtain a financial commitment from Israel to guarantee payment of the pipeline financing, Mr. Rappaport decided to come to the United States to seek U.S. government support for the project and to develop an insurance fund with such government support."[32]

Their quest for this kind of U.S. assistance gained traction after February 23, 1985, when President Reagan appointed Edwin Meese III as U.S. Attorney General. In May 1985, Rappaport hired Robert E. (Bob) Wallach to represent him in the pipeline project. "Within hours," according to Independent Counsel McKay, "Mr. Wallach contacted Attorney General Meese and sought his assistance in obtaining U.S. government support for financing a political-risk insurance fund."

At the time, noted McKay, "Mr. Meese's debt to Mr. Wallach for legal fees arising from Mr. Wallach's representation of Mr. Meese in an independent counsel investigation had not been resolved."

Meese asked National Security Advisor Bud McFarlane to meet with Wallach. According to McKay, "Mr. McFarlane regarded Mr. Meese as his superior and [agreed]… to meet with Mr. Wallach." In a meeting with Wallach and Rappaport, the national security advisor "immediately assigned a senior staff member, Roger J. Robinson Jr., [who]… worked diligently with OPIC and with Mr. Wallach."[33]

McFarlane "expressed his opinion that the construction of the pipeline served the national interests of the U.S.," according to Meese's attorneys.[34]

A May 3, 1985, cable from Bechtel's executive Moriarty recalled a related discussion with Howard Teicher, director of Near East and South Asia Affairs for the National Security Council. Moriarty explained that the men "tried to find some mechanism whereby the U.S. government could appear to be giving its direct support to the Iraq/Jordan pipeline. However Mr. Teicher made it clear it would have to be somewhat subtle and could not take the form of a financial guarantee which would require congressional approval."[35]

The solution: Another U.S. agency, OPIC, stepped in, under pressure from the National Security Council. On May 23, 1985, Felton Johnston of OPIC informed Julius Kaplan, Rappaport's attorney, "(P)lease be advised that the project is of interest to OPIC."[36]

New Sheriffs

Rappaport then hired two big guns to aid his plan: James Schlesinger (the former Secretary of Energy, Secretary of Defense, and Director of the CIA) and William B. Clark (also known as Judge Clark and Bill Clark). [37]

Clark served as Reagan's National Security Advisor from February 1982 to late 1983. He subsequently served as Reagan's Secretary of the Interior until 1985. In a project where the lines between corporation and government were often obscure, Clark obliterated them. While Rappaport was paying him, Clark apparently represented himself to the Iraqis as being on government business.

In preparation for a planned meeting with the Iraqis on August 10-13, Clark carried a "very confidential… agreement in principle" between OPIC and Citibank, in which the bank would provide "the necessary coverage, up to a maximum of $400 million." OPIC president Craig Nalen endorsed this "somewhat unconventional approach" in a memo to McFarlane.[38]

Clark traveled to Baghdad on August 1, 1985, a meeting that appears to have been inconclusive. On September 3, 1985, Bechtel executives and Wallach met with Jordanian Prime Minister Rifai, who told them that "the ultimate control concerning whether the project would proceed or not lies in the Iraqi hands."[39]

Wallach and Bechtel's frustrations mounted. Rappaport deployed a desperate tactic in a meeting with his friend, Israeli Prime Minister Peres. On September 25, 1985, Wallach personally delivered two memoranda and letter to Meese. Wallach noted that a senior OPIC official told him that the agency was "moving from a tentative $100 million to a firm commitment of $150 million."[40]

More significantly, his memoranda told the attorney general that Rappaport "confirmed the arrangement with Peres to the effect that Israel will receive somewhere between $65-70 million per year for 10 years out of the conclusion of the project. What was also indicated to me, and which would be denied everywhere, is that a portion of these funds will go directly to labor [emphasis added]."[41]

These developments briefly revived the Aqaba project, according to McKay. Momentum returned despite intelligence reports that "Iraq had lost interest."[42]

"Break this barrier"

Peres' deal with Wallach and Rappaport came too late. Then a Department of Justice review of the proposal to assign U.S. foreign aid to Israel as collateral doomed the project.

On November 20, 1985, Prime Minister Peres sent a letter to McFarlane. According to McKay, the letter states "that his government was prepared to give the agreed guarantees" that he, Wallach, Wigg and Rappaport negotiated in recent weeks.[43]

Two weeks later, McFarlane resigned as National Security Advisor, and was replaced by Admiral John Poindexter. Poindexter rejected the plan proposed by Wallach, Rappaport, and Prime Minister Peres.

Rejection

Finally, two years after Rumsfeld pitched the proposal to Saddam Hussein, Iraq and Jordan formally rejected the Aqaba pipeline project. "As it stands, your proposed Plan does not meet the specific requirements of the Project and does not satisfy our objectives," wrote the Iraqi and Jordanian energy ministers.[44]

Bechtel executive John Neerhout met with Wallach for the final time on January 29, 1986. The company's frustrations spill out in a subsequent memo. Wallach, according to Neerhout, told him that "it is now time to confidentially reveal to Iraqis that the funding behind the $400 million is Defense and other funds." [Emphasis added.] In handwritten notes in the margin of Neerhout's memo, Moriarty writes, "This was to have been done by Judge Clark when he went to Baghdad."

Bechtel did not abandon all hope more than a year after the Iraqis and Jordanians rejected their proposal. On July 1, 1987, H.B. Clark of Bechtel asked OPIC to continue its registration for the project. "Although there is a low probability of going forward, please retain this registration."[45]

Postscript

The fallout from Bechtel's failed pipeline initiative has been considerable. Independent Counsel McKay's investigation, which also delved into other questionable financial and ethical actions, led Meese to resign on May 16, 1988.[46] Unfortunately, McKay did not publicize the dubious roles of other officials, and quasi-officials, who remained unnamed in the public arena until this report.

Most importantly, Iraq's refusal to approve the lucrative project for Bechtel signaled a turn in U.S.-Iraqi relations. Many of the project's promoters became architects of the present Bush-Cheney campaign against Iraq.

In his current role as Secretary of Defense, **Donald Rumsfeld** discredits any link between oil and U.S. policy in Iraq. Yet while he was in private office, in 1998, Rumsfeld clearly identified the linkage. In a January 26, 1998 to the White House, Rumsfeld and others urged an intensification of US military action against Iraq. He warned that "if

Saddam does acquire the capability to deliver weapons of mass destruction…. a significant portion of the world's supply of oil will all be put at hazard."[47]

Many other intimates of the Aqaba pipeline project have shaped and buttressed the Bush-Cheney administration's campaign to take Baghdad.

Roger Robinson, the NSA's point man on securing OPIC financing for Aqaba, left the Reagan Administration to co-found the Center for Strategic Policy in 1988. This think tank became home to many of his former colleagues and has hatched numerous blueprints for invading Iraq. Many of the center's staff and advisors now work in the Bush-Cheney Administration. In numerous papers, Robinson has decried foreign oil interests that have dealt with Saddam Hussein, particularly Lukoil of Russia and the China National Petroleum Company.

Incredibly, in a 1997 Senate hearing, Robinson blasted the first Bush Administration's financial dealings with Iraq. He testified, "It is useful to remember the appropriate criticism of the Bush Administration's pre-war support for Saddam Hussein, better known as the Iraqgate scandal. To this day, there has not been adequate disclosure of Saddam's Western suppliers and funders."[48] Robinson did not disclose that he, himself, was deeply involved in such a scheme.

Judge Clark, the man who simultaneously represented the NSC and Bechtel in Baghdad, is now Honorary Chairman of the National Security Advisory Council, which is part of the Center for Security Policy. In February 1998, Clark, Robinson, Rumsfeld, **Robert McFarlane**, and many other members of the Bush-Cheney war chorus co-signed a letter that pushed President Bill Clinton into launching Operation Desert Fox. In this letter, a blueprint for the current administration's initiative, Clark, et al., wrote:

"While Iraq is not unique in possessing these weapons, it is the only country which has used them—not just against its enemies, but its own people as well. We must assume that Saddam is prepared to use them again. This poses a danger to our friends, our allies, and to our nation… Saddam is more wily, brutal and conspiratorial than any likely conspiracy the United States might mobilize against him. Saddam must be overpowered…."[49]

George Shultz, now a fellow at Stanford University's Hoover Institution, demanded Saddam Hussein's removal in a September 6, 2002, op-ed. "The history of Iraq, the achievements of its peoples, its high civilization of the past, and its extensive natural resources [emphasis added] all point to the possibility of a positive transformation once Hussein's yoke is lifted," he argued.[50]

James Schlesigner remains an influential foreign policy advisor. He co-chaired a July 2001 Atlantic Council study that argued against U.S. sanctions on Iran, largely in order to diversify global energy supplies and to counter Iraq. Schlesinger, et al., worried about Iraq's threats to the global oil market. Testifying before the U.S. Senate in September 2002, Schlesinger made the case for regime change in Iraq, arguing that "in time of war, restrictions on preemption are loosened."[51]

After a 27 year government career, which included a stint as Henry Kissinger's executive assistance, **Lawrence Eagleburger** left the State Department in May 1984 to become president of Kissinger Associates, his old boss's company. He rejoined the government in 1992, as President George H.W. Bush's Secretary of State, then left again in 1993. He now works for a Washington law firm, and sits on several corporate boards, including Halliburton and Phillips Petroleum.[52]

Eagleburger recently damned the French for opposing the Bush/Cheney war initiative. He told CNN, "The more that the French act the way they have been acting and acted today, the harder it's going to be for them to climb off this high horse they're on and get with the program. The only thing I can think of that may bring them around is ... because they want some of that oil. And they may decide that they have to come in because they want some of that Iraqi oil. The French greed may well lead them to be more reasonable at some point. The only thing I can tell you is this war is not about oil."

These men's conduct in the 1980s—when they negotiated Bechtel's oil business with Iraq, when Saddam Hussein was gassing Iranians, then Kurds, and when they downplayed the dictator's ties to terrorism—belies their present insistence that Saddam Hussein must be toppled because he holds weapons of mass destruction and is tied to terrorists.

The final consequence of this war is uncertain: Perhaps US troops will get gassed by Iraqi chemical weapons. Hopefully not. But one thing appears certain: Bechtel's long quest for a lucrative oil deal with Iraq may finally, after two decades of diplomatic efforts, be solved by brute force.

References

[1] "Rumsfeld: It Would Be A Short War," CBS, November 15, 2002, available at: http://www.cbsnews.com/stories/2002/11/15/world/main529569.shtml

[2] In 1961, General Abdel Karim Qassim grabbed all prospecting tracts of the Iraq Petroleum Company, which is a consortium of Exxon, Mobil, British Petroleum, and Total of France. He left the IPC with only its three producing fields. Qassim paid the ultimate price. In February 1963, a CIA-assisted coup swept Qassim from office, and he was summarily shot. According to Ali Saleh Sa'adi, the Minister of the Interior for the replacement regime, "We came to power on a CIA train." The CIA's Middle East chief of operations, James Critchfield, crowed, "We really had the T's crossed on what was happening. We regarded it as a great victory." Sources: "Perspective: Iraqi history lesson," *Energy Compass*, February 27, 2003 and Patrick Cockburn, "Revealed: How the West set Saddam on the bloody road to power," *The Independent* (London), June 29, 1997.

[3] Memorandum from Thomaston, Bechtel, to E.V. Moriarty, March 9, 1984

[4] "Secretary of State George Shultz, "Chemical Weapons: Metting with Iraq Charge" Memo, April 6, 1984, available at: http://www.gwu.edu./~nsarchiv/NSAEBB/NSAEBB82/iraq54.pdf

[5] H.B. Scott, Bechtel internal memo to J. Neerhout Jr., C.W. Hull, and W.L. (Bill) Friend, May 25, 1984

[6] "I said the U.S. government supports the participation of American firms in projects designed to restore Iraq's oil facilities as rapidly as possible after the war," reported Eagleton. This meeting "should be helpful to our position and that of U.S. business interests in Iraq." Source: Thomas Eagleton, "Subj: Meeting with Tariq Aziz," State Department telegram, May 28, 1981, available at: http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB82/iraq10.pdf

[7] A recent Atlantic Council paper notes that "it is significant that Iraq was removed from the terrorism list in 1981. It was still harboring terrorists such as Abu Nidal, but it had begun to moderate its statements in support of terrorism. Once Iraq was removed from the list, it was no longer banned from purchasing Munitions List items." (Lee Hamilton, James Schlesinger, Brent Scowcroft (co-chairs), "Thinking Beyond the Stalemate in U.S.-Iranian Relations: Volume II - Issues and Analysis," The Atlantic Council, occassional paper, 2001)

[8] President Ronald Reagan, "U.S. Policy Toward Iran-Iraq War," National Security Decision Directive 114, November 3, 1983, available at: http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB82/iraq26.pdf;

[9] P.T. Hart memorandum to E.V. Moriarty, Bechtel, "Subject: Iraz-Jordan [sic] Pipeline," December 18, 1983

[10] "Talking points for Amb Rumsfeld's meeting with Tariq Aziz and Saddam Hussein," State Department telegram, from US interests section in Baghdad to US embassy in Amman, December 14, 1983, available at: http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB82/iraq29.pdf

[11] Donald Rumsfeld, "Subject: Rumsfeld one-on-one meeting with Iraqi Deputy Prime Minister and Foreign Minister Tariq Aziz," State Department communication, Dec. 21, 1983, available at: http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB82/iraq32.pdf Rumsfeld's meeting with Saddam reinforced the US Government's interest in the pipeline project. According to a State Department cable: "In response to Rumsfeld's interest in seeing Iraq increase oil exports, including through [a] possible new pipeline across Jordan to Aqaba, Saddam suggested [that the] Israeli threat to security of such a line was [of] major concern and [that the] US might be able to provide some assurances in this regard…. We agreed with [the] importance of economic integrations and Iraq's ability to export its oil. One area that made such interaction difficult, however, was [the] risk of escalation in the Gulf and the possible closing of [the] Gulf as a result….

"Regarding escalation of the war, Saddam said, [the] patience of Iraq should not be misunderstood. While concerned with security in the Gulf, Iraq could not dispense with its national interest, with Iran exporting its oil and Iraq not able to do so through the Gulf or the Syrian pipeline, [and] it was not for Iraq to look after the world's interest before its own. What was needed was to stop the war, or put the Gulf in a balanced situation for both belligerents. Rumsfeld noted that he had discussed with [the] Foreign Minister Iraq's interest in pipelines through Saudi Arabia and possibly Jordan to Aqaba and some of the kinds of arrangements that might be necessary and desirable to increase the security of such an enterprise.

"Saddam responded that in [the] past Iraq had not been very interested in the Jordanian pipeline possibility because of the threat that Israel would disrupt it. Now that US companies and USG [U.S. government] were interested, Iraq would re-examine it. There might be a connection of US and Iraqi interests, if US could give Iraq a feeling of strength and assurance that would allow it to take the appropriate decision. In fact, both pipelines were important and Iraq wanted to develop both. Rumsfeld agreed that one did not want to be dependent on only one route. He also understood the need to make arrangements that would make a pipeline through Jordan more logical," the memo concluded.

[12] Much of his writing confirms that in the State Department memo. Wrote Rumsfeld:

"[King] Hussein asked whether an Iraqi pipeline through Jordan had been discussed. Rumsfeld said it had been discussed (along with everything else) in the tete-a-tete with Tariq Aziz. The idea appeals to the Iraqis, but it had originally been dismissed out of fear of an Israel threat. Baghdad is still interested, especially if the pipeline involves arrangements which would make it 'a complicated target' for Israel. U.S. political interest in Iraq not losing the war should be encouraging. Hussein was pleased that Rumsfeld had discussed the pipeline. 'U.S. involvement would be a positive development, building a bridge between Iraq and the U.S.' He added that Jordan was considering construction of a refinery complex, as well as the pipeline, in Aqaba. Rumsfeld told Hussein that this type of discussion demonstrated that the U.S. Iraqi dialogue is off to a good start. Adding that 'the U.S. is available if Baghdad is interested in normal relations.'"[13]

[14] Richard Murphy, "Ex-Im Bank Financing for Iraq," State Department action memorandum to Lawrence Eagleburger, Dec. 22, 1983 and Lawrencer Eagleburger (Under Secretary of State for Political Affairs) letter to William Draper III (president and chairman of Export-Import Bank of the United States), Dec. 24, 1984, available at: http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB82/iraq33.pdf

[15] Thomas Eagleton, "Meeting with Tariq Aziz: Expanding Iraq's Oil Export Facilities," State Department telegram, Jan. 3, 1984 available at: http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB82/iraq36.pdf

[16] Eagleton, "Subject: [text redacted] Iraqi pipeline through Jordan," State Department telegram, Jan. 10, 1984, available at: http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB82/iraq37.pdf

[17] Secretary of State George Shultz, "Follow-up steps on Iraq-Iran," State Department telegram, Jan. 14, 1984, available at: http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB82/iraq38.pdf

[18] Eugene Moriarty, Bechtel, telex to T.E. Thomason [forwarded message to attention of Y. E. A. Tawil], May 3, 1985.

[19] James A. Bondoux, Bechtel, message to E.V. Moriarty, "Subject: Iraq-Jordan," February 9, 1984; also, Transcript, Committee on Foreign Relations, Subcommittee on International Economic Policy and Subcommittee on Narcotics, Terrorism, and International Operations, U.S. Senate, October 30, 1987.

[20] Africa and Middle East Division, U.S. Export-Import Bank, "Iraq: Country review and recommendations for Ex-Imbank's programs," memorandum to the Board of Directors, Feb. 21, 1984, available at: http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB82/iraq40.pdf

[21] H.C. Clark, interoffice memo, to J.A. Bondoux, "Subject: I/J Pipeline Development," February 29, 1984

[22] Memorandum from Thomaston, Bechtel, to E.V. Moriarty, March 9, 1984.

[23] E. Moriarty memorandum to Dr. Jawad Al Anani, Minister of Industry and Trade, Jordan, and Mr. A.M. Al-Samarraie, First Deputy of Petroleum, Iraq, April 2, 1984.

[24] Shultz recalled a meeting between Eagleburger and Ismat Kittani, an Iraqi foreign affairs under-secretary, in which "Eagleburger tried to put this perception to rest, however, emphasizing to Kittani the administration's firm support for the line. The

door is not yet closed to Ex-Im or other USG financial assistance to this project: For one thing, the pipeline is a qualitatively more attractive project from a creditor's point of view; secondly, Ex-Im does now do business in Jordan – in which some 60 percent of the pipeline's costs will be incurred. The problem now is for Iraq, Jordan, and the company to settle the technical issues so that the company can make a formal presentation, followed by an application, for Ex-Im consideration." Secretary of State George Shultz, "Briefing Notes for Rumsfeld Visit to Baghdad," cable, March 24, 1984. Available at: http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB82/iraq48.pdf

25 "U.N. Team says chemical arms were used in Iran," New York Times, March 27, 1984; "U.S. Envoy in Iraq," Associated Press, March 26, 1984; and, U.P.I., March 26, 1984.

26 "Placke said USG has just met with Bechtel for preliminary assessment of project: we would proceed to seek arrangements that would meet Iraqi requirements. On financing, USG is limited to export financing through Ex-Im Bank. However, we understand Bechtel has some ideas on arranging financing, assuming that GOI [Government of Israel] is prepared to offer guarantees. For our part, we will ensure Ex-Im Bank understands importance USG attaches to this project and explore other possibilities. In light of Tariz [sic] Aziz' comments we will have to work further on the security aspect with Israel, considering proximity of proposed terminal to that country. Hamdoon stressed importance of our discussing issue with Amb. Rumsfeld in view of Rumsfeld's talks in Baghdad," according to Shultz. Secretary of State George Shultz, "Chemical Weapons: Meeting with Iraqi charge," memo, April 6, 1984, available at: http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB82/iraq54.pdf

27 Memorandum from Qasim Ahmed Taqi, Minister of Petroleum, Iraq and Dr. Jawal Al Anari, Minister of Industry, Trade and Tourism, to Bechtel, May 25, 1984

28 Threats to these American interests, Bechtel suggests, "would necessitate and receive immediate attention by the highest levels of the U.S. government…. These practical measures individually and collectively provide an umbrella of factors to deter any outside interference in the operation of the project as well as mechanism to assure that any interference that may occur will trigger the direct attention and involvement of the United States and European governments in helping to resolve the problem." "Iraq/Jordan Pipeline Project: Practical Measures to Assure Pipeline Security," memorandum attached to letter from V.S. Nielsen, Programme Manager, Bechtel, to Mr. A. M. Al-Sammarraie, Deputy Minister of Petroleum, Iraq, and Dr. I Badran, Director of Energy, Ministry of Energy, Trade & Tourism, Jordan, July 20, 1984

29 Rappaport presented an "opportunity" for Bechtel to "enter into an exclusive arrangement with the Iraqi authorities to undertake the total responsibility for constructing and operating the Iraq-Aquaba oil pipe line." Elements of the plan include: backing from Nissho Iwai (through a 10 year commitment to purchase 200,000 barrels of crude per day); an "undertaking by the Israeli government not to cause stoppages"; and, "in consideration for IMG [Rappaport] obtaining such or similar commitments by the Israeli government, IMG shall receive, through its nominee Nissho Iwai the exclusive rights for lifting, processing and marketing of the said 200,000 barrels per day crude oil." In other words, Rappaport would secure a 20% share of the pipeline throughput in exchange for obtaining security assurance from the Israeli government. Naftali Raz, IMG, "Summary of a meeting," Geneva, January 7, 1985

30 "Excerpts from the McKay report," Washington Post, July 19, 1988 (McKay)

31 Telex from N. Raz to R. Wallach, Jan. 10, 1985

32 Letter from Israeli Prime Minister Shimon Peres to President, National Petroleum Ltd., Bermuda [that is, Bruce Rappaport], February 25, 1985

33 McKay

34 McKay

35 Nathan Lewin, James Rocap III, Niki Kuckes, "Memorandum to the Office of the Independent Council on the Aqaba pipeline project issue," Miller, Cassidy, Larroca and Lewin, February 29, 1988

36 Moriarty, May 3, 1985

37 Letter from Felton McL. Johnston, OPIC, to Julius Kaplan, Esq., May 23, 1985

38 On June 14, 1985, Kaplan, Rappaport's attorney, wrote to Moriarty of Bechtel, "I am pleased to advise you that we have retained the Honorable James Schlesinger to head up our team. I am confident that having a man of his prestige on our side will redound to the benefit of Bechtel as well." Julius Kaplan, letter sent by fascimile to Eugene Moriarty, Bechtel, June 14, 1985. On July 11, 1985, Clark wrote to Wallach, "Confirming our conversations, I shall undertake representation of Mr. Rappaport and National Petroleum Limited for the purpose of appearing on 28 July in Baghdad regarding an aspect of the Iraq/Aqaba Project…. It is understood that Mr. Rappaport shall pay expenses for myself and one assistant in addition to a fee of $500 per hour for all time expended. In the interim, I shall confer with members of the National Security Council in preparation for our meetings." William P. Clark, letter to E. Robert Wallach, July 11, 1985.

39 Craig Nalen, OPIC president, letter to Robert McFarlane, Assistant to the President for National Security Affairs, July 31, 1985

40 "Moriarty, Inter-Office Memorandum, to H.B. Scott, Bechtel Great Britain Ltd., September 5, 1985.

41 Wallach to Meese.

42 Memorandum from Robert Wallach to Edwin Meese III, September 25, 1985. Wallach also delivered a letter from Prime Minister Peres to Meese. The letter reads, in whole:

> "Dear Mr. Meese –Excuse my Hebrew letter[head] – but I could [not] find at home the proper english one. I am following with great interest the projected pipeline from Iraq to Jordan, as a possible additive to introduce economic consideration to this troubled land. Apparently a Israeli guarantee may help to pave the way to the construction of this P/L [pipeline]. I would go a long way to help it out. But then discretion is demanded on our part. I shall be in the USA in the middle of October, and I intend to talk it over with George Shultz for whom I have the highest regard. Considering the short while of my staying in Washington, I believe it may be of great help, if George will be informed ahead of time. I shall appreciate your good office in this respect. I have asked my friend Bruce [Rappaport] and Bob [Wallach] to let you know the whole story, and I shall depend on your judgement about the best way to handle this matter. (McKay)

With many thanks, Shimon Peres, Jerusalem 19.9.85.

43 McKay.

44 McKay.

45 Letter from the Ministry of Oil (Iraq) and the Ministry of Energy & Mineral Resources (Jordan) to H.B. Scott, Bechtel, December 21, 1985

46 H.B. Clark, letter to OPIC, July 1, 1987.

47 McKay found that "the available admissible evidence is insufficient to conclude that Mr. Meese's activities in furtherance of the pipeline project violated the Foreign Corrupt Practices Act." However, the independent counsel said his investigation "was hampered" by Wallach and Rappaport, who were unwilling to answer questions under oath. "The investigation was further hampered by the unavailability of the testimony of key Israeli government officials," McKay determined. The Attorney General was of little help either. Meese told McKay that "he has no recollection of the specifics of any conversation with Mr. Wallach concerning the Aqaba pipeline project or any of the details of Mr. Wallach's efforts in connection with the project." (McKay)

48 Elliott Abrams, Richard L. Armitage, William J. Bennett, Jeffrey Bergner, John Bolton, Paula Dobriansky, Francis Fukuyama, Robert Kagan,Zalmay Khalilzad, William Kristol, Richard Perle, Peter W. Rodman, Donald Rumsfeld, William Schneider Jr., Vin Weber, Paul Wolfowitz, R. James Woolsey, and Robert B. Zoellick, letter to President Clinton, January 26, 1998, as published in Washington Times, March 8, 2001

49 Roger Robinson Jr., "Full Written Testimony of Roger W. Robinson, Jr., President and CEO of RWR, Inc. and Former Senior Director of International Economic Affairs at the National Security Council (1982-1985) Before the Senate Banking Committee's Subcommittee on Financial Institutions on Senate Bill S. 1315, The U.S. Markets Security Act of 1997," November 5, 1997. Available at: http://www.centerforsecuritypolicy.org/index.jsp?section=papers&code=97-C_169at2

50 Committee for Peace and Security in the Gulf (Stephen Solarz, Richard Perle, Elliot Abrams, Richard V. Allen, Richard Armitage, Jeffrey T. Bergner, John Bolton, Stephen Bryen, Richard Burt, Frank Carlucci, Judge William Clark, Paula J. Dobriansky, Doug Feith, Frank Gaffney, Jeffrey Gedmin, Robert Kagan, Zalmay M. Khalilzad, Sven F. Kraemer, William Kristol, Michael Ledeen, Bernard Lewis, R. Admiral Frederick L. Lewis, Maj. Gen. Jarvis Lynch, Hon. Robert C. McFarlane, Joshua Muravchik, Robert A. Pastor, Martin Peretz, Roger Robinson, Peter Rodman, Peter Rosenblatt, Donald Rumsfeld, Gary Schmitt, Max Singer, Helmut Sonnenfeldt, Caspar Weinberger, Leon Wienseltier, Paul Wolfowitz, David Wurmser, Dov S. Zakheim), "Open Letter to the President," February 19, 1998, available at: http://www.centerforsecuritypolicy.org/index.jsp?section=papers&code=98-D_33at

51 George Shultz, "Act Now: The danger is immediate. Saddam Hussein must be removed," Washington Post, September 6, 2002.

52 Statement of James Schlesinger before the Committee on Armed Services, United States Senate, September 25, 2002

53 "HWA biography: Lawrence Eagleburger," Harry Walker Agency, downloaded from:

NOTES

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MARCH 2003
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