

provided is where the "President determines that such action ... would clearly and importantly advance U.S. policy in such areas as ... human rights." Authority for making determinations was delegated to you in E.O. 12166 [October 19, 1970]. E.O. 12166 further provides that before making such a determination, you shall consult with the Secretary of Commerce and "the heads of other interested executive agencies."

Given the language of the statute, L believes it is inappropriate for the Department to recommend that Exim take human rights considerations into account unless you make the required statutory determination, following the required consultations. This determination is required whether the department is recommending denial of credits by Exim or a prolonged deferral of an Exim decision. (L does not believe, however, that a formal determination is required for routine staff exchanges with Exim on the human rights factors that would be considered by State in the event Exim requested a Department position or for the Department to ask Exim to delay a decision for a short period.)

NEA AND EB VIEWS

NEA and EB believe there are sound and sensible reasons for going ahead now with a decision based on economic and financial considerations.

Iraq is potentially a major market and could offer several billion dollars worth of new U.S. exports over the next few years as reconstruction of war damage gets under way. U.S. companies need access to longer term credit guarantees to compete effectively for new business opportunities being opened up by the end to the fighting in the Persian Gulf.

For example, Occidental Petroleum is bidding on a \$500 million oilfield development project. Without Exim guarantees, OXY will have to source equipment for overseas suppliers who have financial guarantees. Westinghouse is bidding for \$260 million worth of turbines for a \$1 billion power plant project. The firm lost out on two other power plants due to lack of export financing.

Exim financing would give a big economic and political boost to U.S. firms competing for business in Iraq. Both Occidental and Westinghouse view Exim as a major element in keeping their bids competitive, and other U.S. firms report they are in the same position.

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The Iraqi leadership also wants expanded commercial ties with the U.S. Commercial ties could open the way for improved political relations. Iraq is already our largest agricultural market in the Arab world -- slated to receive over \$1 billion in Commodities Credit Corporation (CCC) credits in FY 89 alone -- and there are strong prospects for exports of manufactured goods.

HA BUREAU VIEWS

HA argues that the brutality visited on portions of Iraq's Kurdish population demands that we strongly oppose this proposed increase in Iraq's Exim Bank credit facility. Indeed, the persecution of the Kurds is consonant with the general framework of repression in Saddam Hussein's Iraq -- characterized by execution and extrajudicial killings of real or perceived opponents of the regime, a widely feared and reputedly omnipresent secret police, the use of torture, and an effort to control all aspects of society. HA points out that less than four months ago, the Iraqi government launched a full scale military operation in which it employed chemical weapons against part of its own Kurdish population. Of the more than 60,000 Kurds who fled Iraq, close to 40,000 -- mostly women and children -- remain in refugee camps in Turkey. The United States took the lead in condemning Iraq's actions and initiated the effort to hold an international conference on chemical weapons in Paris in early 1989.

HA believes the use of toxic chemicals in attacking Kurdish villages is only one facet of a major, brutal campaign by the Iraqi Government against the Kurds. A Senate staff report put it this way:

"Iraq is engaged in a military policy intended to depopulate Iraqi Kurdistan. Elements of the policy include: (1) the destruction of villages and towns throughout Kurdistan; (2) the relocation of the Kurdish population to concentrated new settlements where military control can be exercised; (3) the deportation of Kurds to areas outside Kurdistan; and (4) the use of terror tactics, including chemical weapons, to drive civilians out of the areas to be depopulated."

Describing her visit to Kurdistan in a November 28 cable, Ambassador Glaspie confirmed the disappearance of numerous villages and the relocation of the Kurdish population. Estimates of the numbers of resettled persons and refugees range upward from 400,000.

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The regime of Saddam Hussein has long been known as one of the most brutal and repressive in the world. But its actions in 1988 outdid its previous performance. They probably constitute the most serious violations of the 1980's. The measures taken against the Kurds were not the actions of soldiers or policemen exceeding their orders. The actions were ordered from the very top, in a cold, calculated manner, designed to kill large numbers of Kurds, frighten others into fleeing the country, and destroy large portions of the rural Kurdish areas, on which Iraqi Kurdish culture is based. If the general American public were aware of Iraq's human rights violations, as it is aware of human rights violations in countries covered more fully by the media, there would indeed be a great public outcry against U.S. assistance to that country. Even though the facts about Iraq's deplorable human rights record are not generally known, they are known to us and should be taken into full account. HA believes U.S. assistance to Iraq can simply not be squared with our worldwide human rights policy.

Accordingly, HA recommends that we should develop an Action memo for you with a recommendation regarding a formal human rights determination for Iraq, as required under the EXIM statute.

Moreover, reaction in the foreign affairs committees on the Hill would be negative. The HPAC staff has informally told NEA that we risk an adverse reaction from the Committee unless we wait until after the CW conference in Paris before proceeding, and we can expect to take some flak if we go forward now. The Commerce Committee and other trade associated committees may be privately supportive. HA believes the Hill's reaction to extending credits to Iraq will be all the more negative if the decision is taken while Congress is adjourned.

CONCLUSION

NEA disagrees with the underlying premises of HA's analysis, which relies heavily on charges made by Kurdish guerrillas and the SPRC report. The Iraqi military campaign, brutal as it was, sought to reclaim territories occupied for years by rebels closely allied with, and financed, armed and reinforced by, Iran as a second front. We see no evidence of an attempt to wipe out the Kurds as a whole: The military campaign took place in an area inhabited (according to Kurdish rebel sources) by 150,000 of Iraq's two million Kurds.

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NEA agrees that the basic nature of Iraq's Ba'athist regime is none to our liking. We should continue to monitor its human rights performance and speak out forcefully against abuses. But we should be hard-headed in our expectations of what we stand to gain by economic pressures. The relatively small credit line under consideration -- dwarfed, for example, by FY 89 CCC credits -- has far greater use with Baghdad as a carrot than as a stick.

NEA and EB note that the kind of human rights determination HA suggests has never, to our knowledge, been sought except in cases where Exim is under legislative prohibitions from doing business, for example the soviet union and east europe. Such a finding may require that Exim close its current short-term credit facility and may well lead to additional consequences for other U.S.G. programs in Iraq, including the CCC agricultural credits.

With our competitive position increasingly challenged around the world and serious trade balance problems, we should not cut ourselves off from markets without clear and realistic policy goals and the means to attain them -- our competition in Europe and Japan certainly are not. Our allies -- including Great Britain, the only one to back our charges of Iraqi CW use -- are eager to extend further credits to capitalize on postwar reconstruction.

Moreover, NEA believes that trade with Iraq will never be popular in certain quarters on the Hill and that the Exim program under consideration has enough merit that we should go ahead despite those concerns.

In sum, NEA argues that we should balance all our interests in this increasingly important country in order to achieve what we all seek in terms of CW restraints and human rights performance. With an end to fighting in the Gulf, the timing is propitious to take advantage of new opportunities to project our interests. Those interests will not be served by delaying or stalling.

RECOMMENDATION

That we be authorized to inform Export-Import Bank that the Department has no political objection to medium-term export credit guarantees for Iraq. (NEA and EB recommend; HA opposes.)

Approve _____ Disapprove _____

This is properly something which we should not decide as a matter of the deep, leaving it to the President's eyes

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Alternatively, that we not recommend the proposed increase, but instead develop an Action Memo for you with a recommendation regarding a formal human rights determination for Iraq. (HA recommends; NEA and EB oppose.)

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Disapprove _____

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