United States General Accounting Office

GAO

Report to the Chairman, Committee on Foreign Affairs, House of Representatives

February 1994

IRAQ

U.S. Military Items Exported or Transferred to Iraq in the 1980s

GAO/NSIAD-94-98

GAO

United States
General Accounting Office
Washington, D.C. 20548

150766

National Security and
International Affairs Division

B-256123

February 7, 1994

The Honorable Lee Hamilton
Chairman, Committee on Foreign
Affairs
House of Representatives

Dear Mr. Chairman:

We are providing you with this unclassified version of our classified report dated March 11, 1992, addressed to you as Chairman of the Foreign Affairs, Subcommittee on Europe and the Middle East, House of Representatives, and to the Honorable Mel Levine, a Member of Congress at that time. The Honorable John M. Spratt Jr., Chairman, Subcommittee on Commerce, Consumer, and Monetary Affairs, Committee on Government Operations, House of Representatives, requested that the report be declassified. The Departments of State, Defense, and Commerce reviewed the report and agreed that it could be issued in its present form. We are sending a copy of the report to Chairman Spratt.

In response to your request, we made this review because of concerns that certain Middle East countries may have served as transshipment points for U.S. arms ultimately bound for Iraq, and our 1989 classified report findings that three other countries made unauthorized sales of coproduced equipment to Iran and Iraq.

Our objectives were to determine (1) what the U.S. policy and practices were regarding sales of U.S. military and related equipment to Iraq during the 1980s and what sales were approved, (2) whether there were patterns of diversion of U.S. arms from the Middle East and three additional countries to Iraq during the 1980s, and (3) whether a shipment of U.S.-origin mortar bomb fuses was diverted from the United Arab Emirates (UAE) to Iraq.

Results in Brief

Since 1980, U.S. policy has been to deny export licenses for commercial sales of defense items to Iraq, except when the items were for the protection of the head of state. As a result of the exception, license applications valued at $48 million were approved. The Department of Defense (DOD) has not made any foreign military sales to Iraq since 1967. In contrast, U.S. policy toward Iraq for sales of dual-use items (items that have both civilian and military uses) was not constrained by national

security controls, and there were few applicable foreign policy controls until August 1990. Thus, the Department of Commerce approved the licenses for exporting $1.5 billion of dual-use items to Iraq between 1985 and 1990.

Available information showed two cases of unauthorized transfers of U.S. military items to Iraq by Middle East countries. Although three other Middle East countries and one of the other countries had proposed to serve as transshipment points of military equipment for Iraq, the proposals were turned down by the Department of State. There were also two additional cases of diversion to Iraq by two of the three other countries, and one case of possible diversion-related activity by the third. While this data does not suggest patterns of diversion, we were unable to determine whether other unauthorized transfers were made.

Because of sovereign political sensitivities, we were unable to visit UAE to conduct a physical inspection; therefore, we could not determine whether the U.S.-origin mortar bomb fuses shipped to UAE were diverted to Iraq. We, therefore, recommended that the U.S. Ambassador use an alternative method to verify that the fuses are still in UAE's possession. After issuance of our classified report, the U.S. Embassy in UAE reported that its personnel verified that the U.S.-origin mortar bomb fuses shipped to UAE were not diverted to Iraq.

Background

U.S. exports of defense articles and services on the U.S. munitions list are controlled by the Department of State under the Arms Export Control Act of 1976, as amended. When foreign governments or parties wish to purchase defense articles and services directly from U.S. firms, the firms must obtain export licenses from the Department of State. License applications are reviewed on a case-by-case basis, taking into account that exports to Communist countries and terrorist-supporting countries are prohibited. If, however, the foreign parties elect to make such purchases through DOD's foreign military sales, which are subject to DOD approval, export licenses are generally not necessary. Written approval must be obtained from the Department of State before a defense article or service previously exported from the United States can be transferred to a third country. Under the Arms Export Control Act, the State Department is required to notify Congress of any substantial violations involving unauthorized transfers.

U.S. exports and reexports[1] of dual-use items are controlled and licensed by Commerce under the Export Administration Act of 1979, as amended. Controls are based on national security and foreign policy considerations. National security controls are maintained on strategic commodities and technical data, worldwide, to prevent the diversion of such items to controlled countries. Controls based on foreign policy considerations are maintained to further U.S. foreign policy goals. License applications for exports subject to national security controls can be referred to DOD for review, whereas those subject to foreign policy controls can be referred to State for review. Other departments and agencies, such as the Department of Energy, Nuclear Regulatory Commission, and the Subgroup on Nuclear Export Coordination, can also participate in licensing decisions.

U.S. Policy and Practices Regarding Sales of Munitions List Items to Iraq

Commercial sales of munitions list items to Iraq required State-approved licenses. Since 1980, U.S. policy prohibited licensing sales of munitions list items to Iraq, except when the items were for the protection of the head of state. The policy was based on the rationale that the United States should not aid either belligerent in the Iran-Iraq War. According to State officials, the exception for protection of the head of state was used to sell Iraq items that would not increase Iraqi military capability and items that had low risk of being diverted to the Iraqi military.

Between 1983 and 1990, State approved 19 license applications, mostly for sales of communication devices, valued at $48 million and disapproved 25 licenses valued at $2.6 million. However, according to State officials, 4 of the 19 licenses approved in July 1990, valued at $43 million, were revoked immediately after the Iraqi invasion of Kuwait on August 2, 1990, and no items were shipped. Approved items and their stated end uses for 11 of the 19 approved licenses are detailed in appendix I. In two of the approved cases, the Iraqi military was the end user. The cases were approved because an Iraqi Air Force official, along with a civil aviation official, certified that the equipment would be used at civilian airports.

According to a State official, Iraq became ineligible to participate in U.S. foreign military sales when it broke diplomatic relations with the United States in the wake of the 1967 Arab-Israeli War. Its ineligibility continued when Iraq was subsequently placed on the list of terrorist-supporting countries. Consequently, no U.S. military equipment has been sold to Iraq through the government-to-government channel since 1967. Although

[1]A controlled commodity previously exported from the United States to a foreign destination that is to be reexported from the foreign country requires approval from the U.S. government.

removed from the terrorist-supporting list in 1982, Iraq remained ineligible because U.S. policy prohibited the sale of military items to either belligerent in the Iran-Iraq War. Iraq was again added to the terrorist list in September 1990.

U.S. Policy and Practices Regarding Sales of Dual-Use Items to Iraq

Dual-use items considered as strategic commodities and technical data are controlled by the Department of Commerce under section 5 of the Export Administration Act, national security controls. These controls enforce the U.S. policy of restricting exports that would make a significant contribution to the military potential of any country or combination of countries that would prove detrimental to the national security of the United States. Section 5(b) of the Export Administration Act requires the President to establish a list of controlled countries for national security controls. While section 5(b) specifies that the controlled countries are those that are contained in section 620(f) of the Foreign Assistance Act of 1961, the President may add or remove countries from the list based on certain criteria. Traditionally, the controlled countries have been the former Soviet bloc and other Communist countries or state sponsors of terrorism.

Iraq was not included on the original list of controlled countries; thus, according to Commerce officials, Commerce had no legal basis to deny Iraq any of the national security controlled items, unless it believed that the items would be diverted to controlled countries.

Other dual-use items are controlled for foreign policy reasons under section 6 of the Export Administration Act. Most foreign policy controls relate to the broad issues of human rights, antiterrorism, regional stability, chemical and biological warfare, and nonproliferation of nuclear arms and nuclear capable missiles. Items under antiterrorism control also include all the national security controlled items destined for military end use. Therefore, if a country is on the list of terrorist-supporting countries, as determined by the Secretary of State, all national security controlled items destined for military end use in that country would be controlled because of foreign policy, even though the country is not a controlled country for national security purposes.

Iraq was removed from State's list of terrorist-supporting countries in 1982. A Commerce official told us that this made Iraq eligible to purchase aircraft, helicopters, and national security controlled items for military end use. A State document showed that within 2 months after Iraq was

removed from antiterrorism controls, an application by a U.S. firm to sell Iraq six aircraft was approved. According to Commerce records, between 1985 and 1990, aircraft, helicopters, and related parts, worth $308 million, were approved for sale to Iraq.

Commerce officials told us that because Iraq was removed from antiterrorism controls and because controls on missile technology and chemical and biological warfare were not in place until the late 1980s, few foreign policy controls were placed on exports to Iraq during the 1980s. They said that this, along with the lack of national security controls, resulted in a long list of high-technology items being sold to Iraq during the 1980s.

Commerce data showed that between 1985 and 1990, it approved 771 licenses, valued at $1.5 billion, for sales to Iraq, while only 39 applications were rejected. According to Commerce, another 323 applications valued at $442 million were returned to the applicants without action, primarily due to incomplete information. Sixty-three of the license applications were sent to State for foreign policy review. State recommended approval for 58 and disapproval for 5. Commerce acted in accordance with State's recommendations.

The bulk of the items licensed were computers and other electronics, and other items such as civilian helicopters and machine tools were also licensed. Dollar wise, the largest amounts involved three licenses, totaling more than $1 billion for heavy duty trucks. Commerce subsequently informed us that these trucks were never actually shipped to Iraq. A Commerce official told us that Commerce was informed by the exporters that the purchasers for these trucks withdrew from the sales agreements at the last minute.

Diversions and Requests for Transfers to Iraq

One country transferred various U.S.-origin ammunition to Iraq between 1981 and 1984, and another country probably transferred U.S.-origin ammunition to Iraq in 1986, both without U.S. approval. More recent data showed two additional cases of unauthorized transfers of U.S.-origin items from these countries to Iraq. In 1986, one transferred U.S.-made ammunition fuses, valued at $8 million, to Iraq. The other transferred various howitzer spare parts to Iraq.

In 1985, a European company sold weapon conversion kits to Iraq for helicopters that Iraq had purchased from the United States with assurance

of nonmilitary use. While it is not clear whether the kits contained U.S.-origin equipment, based on Iraq's earlier assurance, the United States would not have approved the sale. However, it is not clear whether or not the helicopters were actually militarized.

Two cases of arms diversion to Iraq involved Middle East countries. A State official believes that so few Middle East diversions were detected because Iraq was being well supplied with arms from other countries. In 1984, State received reports that a Middle East country had transferred TOW missiles to Iraq. Based on these reports, State delivered a protest to that government. In 1986, State received reports that Saudi Arabia had transferred U.S. munitions to Iraq. In response to State's inquiry, the Saudi government said that 300 MK-84 2,000-pound bombs were inadvertently mixed in with a shipment of non-U.S. origin munitions sent to Iraq in February 1986. State informed Congress of this unauthorized transfer under section 3 of the Arms Export Control Act, citing it as a small quantity of unsophisticated weapons.

In commenting on this report, the Department of State said that, with the exception of the single transfer of bombs by Saudi Arabia, of which Congress was notified in accordance with the Arms Export Control Act, the State Department reviewed the other allegations of unauthorized transfers to Iraq and did not find them to be credible. Regarding State's comment, we are not privy to the information that determined the reported transfers were not credible. Our discussions of these cases are as they are reflected in the documentation we were able to obtain. Moreover, in connection with one of the cases, we acquired information, which remains classified, that indicates additional quantities of items were transferred.

In five instances, third parties requested the United States to allow them to transfer military equipment to Iraq. In 1982, a Middle East country asked that it be allowed to transfer U.S.-origin howitzers and C-130 aircraft to Iraq. In the same year, a European country requested that the United States sell howitzers, and cobra and Blackhawk helicopters to Iraq, using it as the intermediary. State turned down both requests, citing the U.S. policy of not aiding either belligerent in the Iran-Iraq War. In 1983, another country requested battle tanks from the United States so that it could, in turn, send its Soviet-made tanks to Iraq. According to a DOD official, who was working for State when this request was made, the United States turned down the request. In 1986, a Middle East country requested the purchase of night vision devices for Iraqi helicopters, using it as the

conduit. In January 1990, another Middle East country requested permission to transfer $400,000 in U.S.-origin howitzer spare parts to Iraq. The United States turned down both of these requests, again citing the policy of not aiding either belligerent in the Iran-Iraq War.

Disposition of Mortar Fuses

In November 1988, a shipment of 4,000 M-734 mortar bomb fuses was licensed by the State Department for sale by a U.S. company to a military unit in UAE. The fuses were to be shipped first to a west European firm, where they were to be installed onto 81mm mortar bombs. Sales of the mortar bombs to the UAE unit were licensed separately by the west European country's government. According to the west European firm's shipping documents, the 81mm mortar bombs containing the M-734 fuses were shipped in October 1989 to Dubai, UAE, and arrived at the Port of Dubai in November 1989.

As a condition for obtaining the State Department license, the UAE unit certified that the bombs containing the fuses were for its sole use and would not be resold or reexported. However, in July 1990, an allegation was made to Congressman Levine's office that the mortar bombs had been transferred to Iraq. Subsequently, we were asked, as part of the request, to determine whether this diversion had occurred.

In February 1991, because of the Gulf War and the restricted travel conditions, we asked the U.S. Embassy in UAE to inspect the mortar fuses on our behalf. We provided the Embassy with the information necessary to identify the particular shipment of mortar bombs containing the fuses and to perform a physical inspection at UAE's ammunition warehouse. The Embassy stated that it had made previous inquiries about the fuses and had obtained documentary evidence that the fuses were still in UAE's possession. The Embassy also pointed out the political sensitivity of asking to inspect UAE's ammunition warehouse. We then asked for the documentary evidence, which consisted of a faxed reply from UAE stating that the fuses were received in November 1989 and were for the sole use of UAE. This information was not sufficient enough for us to be able to determine the ultimate disposition of the mortar fuses. Therefore, in May 1991, we requested that the Embassy make arrangements for us to visit the UAE's ammunition warehouse. The Embassy, citing the political sensitivities, declined to make the arrangements.

Following the issuance of our classified report, the U.S. Embassy in UAE sent us a cable. The cable stated that on July 7, 1992, Embassy personnel

fully and properly accounted for all mortar bomb fuses in question. The Department of State also reported that the UAE cooperated fully in the investigation.

Recommendations

We recommended in our classified report that, because of the Embassy's concern over political sensitivity that might result from our visit, the Secretary of State should direct the U.S. Ambassador in UAE to use an alternative method to physically verify that the fuses are still in UAE's possession or obtain documentation to demonstrate that they have been used for the purpose for which they were provided. We also recommended that the Secretary of State provide written confirmation of this verification and/or documentation to our office. As previously mentioned, this recommendation was addressed in July 1992.

Agency Comments and Our Evaluation

We obtained written comments on a draft of the classified report from DOD and the Departments of Commerce and State. (See apps. II, III, and IV.) DOD concurred that the report is factually accurate and provided no further comments. The Department of Commerce asked that some additional data be added to the section on dual-use licensing, which was done. The Department of State made some technical comments, which have been incorporated in the report, as appropriate.

Subsequently, in response to our request for a declassification review of the original report, the Department of State provided written comments. (See app. V.) Its comments are fully reflected in this unclassified version. However, we were unable to reach full agreement with all the original classifying agencies regarding the wording of this unclassified report version until December 1993.

Scope and Methodology

We conducted our review at DOD, the Departments of State and Commerce in Washington, D.C. To obtain information on U.S. policies on exports to Iraq, we met with officials from Commerce and State. We also reviewed applicable statutes and regulations governing export controls and Commerce's and State's publications. In addition, we reviewed State's cables and memorandums, back to 1982, for any export policy statement applicable to Iraq.

We obtained licensing information from Commerce for all applications for exports of dual-use items to Iraq between 1985 and 1990. From State, we

obtained licensing information on all applications for exports of munitions items to Iraq between 1983 and 1990. We also obtained copies of some approved munitions licenses.

To determine whether there was a pattern of arms diversions to Iraq, we met with export control enforcement officials from Commerce and U.S. Customs, officials from State and DOD with expertise in Foreign Military Sales, and intelligence officials from State and DOD. We also reviewed DOD intelligence reports and State records, dating back to 1982, for any diversion cases detected by the agencies.

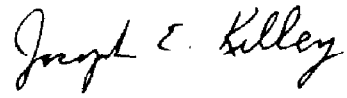
To obtain information necessary for identifying the shipment of mortar fuses, we contacted officials of the U.S. and western European companies. We tried to arrange for a physical inspection of the fuses at United Arab Emirates' ammunitions warehouse but were unable to make arrangements with State because of political sensitivities.

Our work was performed between August 1990 and September 1991 in accordance with generally accepted government auditing standards.

We plan no further distribution of this report until 7 days after its issue date. At that time, we will send copies to other interested congressional committees and to the Secretaries of Defense, Commerce, and State.

Please contact me on (202) 512-4128 if you or your staff have any questions concerning this report. Major contributors to this report were Stewart L. Tomlinson, Assistant Director; Davi M. D'Agostino, Adviser; and John P. Ting, Evaluator-in-Charge.

Sincerely yours,



Joseph E. Kelley
Director-in-Charge
International Affairs Issues

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Abbreviations

DOD	Department of Defense
UAE	United Arab Emirates

Munitions Licenses Approved

The following are 11 of the 19 approved licenses that we obtained.

Commodity	Value	Date	End user	End use
Data privacy device	$1,105,159[a]	7/27/90	Ministry of Foreign Affairs, Iraq	Securing embassy communications
Data privacy device	25,291,119[a]	7/27/90	Presidential Office, Iraq	Securing presidential communications
Data privacy device	1,378,930	10/25/89	Presidential Security Command, Iraq	Securing presidential communications
Data privacy device	29,577	8/15/89	Administrative Officer, U.N. Forces, Iraq	Securing communications
Speech and voice scrambler	198,400	8/02/89	Presidential Security Command, Iraqi Palace	Prevent eavesdropping
Speech and voice scrambler	489,604	5/19/88	Presidential Security Command, Iraqi Palace	Prevent eavesdropping
Communications and navigations equipment	165,860	7/07/86	President of Iraq	To be installed on President's helicopter
Electronic component	3,185	4/22/86	Iraqi Air Force	Spare part for air traffic control system
Communications amplifiers	1,255,000	5/21/85	Iraqi Air Force	To boost voice signals of air traffic control
Revolvers and pistol	914	9/28/84	Presidential Palace	For use by Iraqi officials
Image intensifier	8,800	11/21/83	Space and Research Center, Iraq	For astronomical spectrographs

[a]These are two of the four licenses that were revoked immediately after the Iraqi invasion of Kuwait on 8/2/90. No items were shipped under the four licenses.

Source: Department of State

Comments From the Department of Defense

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301-2400

INTERNATIONAL SECURITY AFFAIRS

19 DEC 1991

In Reply Refer to:
I-91/41387

Mr. Frank C. Conahan
Assistant Comptroller General
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Conahan:

This is the Department of Defense (DOD) response to the General Accounting Office (GAO) draft report, "(U) ARMS TRANSFER: U.S. Military Items Exported and Transferred to Iraq," dated November 13, 1991 (GAO Code 463793/OSD Case 8888).

The DOD reviewed the report and found it to be factually accurate. The report correctly states that there were no sales to Iraq handled through the Foreign Military Sales program during the period from 1967 to the present, and commercial sales that occured were handled by the Department of State and/or the Department of Commerce. The Department appreciates the opportunity to review the draft report.

Sincerely,

CARL W. FORD, JR.
Principal Deputy Assistant Secretary
International Security Affairs

Comments From the Department of Commerce

UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer
Assistant Secretary for Administration
Washington, D.C. 20230

DEC 26 1994

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Conahan:

Thank you for your letter requesting comments on the Classified draft report entitled, "Arms Transfer: U.S. Military Items Exported and Transferred to Iraq."

We have reviewed the enclosed comments of the Acting Under Secretary for Export Administration and believe they are responsive to the matters discussed in the report.

Sincerely,

Preston Moore

Enclosure

UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for Export Administration
Washington, D.C. 20230

December 17, 1991

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and International
Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Conahan:

We have reviewed the draft GAO report entitled: "U.S. Military Items Exported and Transferred to Iraq" (GAO Code 463793). We believe that the following additions are needed to provide a better picture of the value and types of items that were actually exported to Iraq.

Para. 2, Page 8 should be modified to read (additions are underlined):

Now on p. 5.

> Commerce data showed that between 1985 and 1990, it approved 771 licenses, valued at $1.5 billion, for sales to Iraq. We do not know the extent to which shipments were actually made under the SE license. However, Commerce has informed us that three of the approved applications, involving licenses for heavy duty off-road trucks valued at over $1 billion, were never actually shipped to Iraq. Only 39 applications were rejected. However, an additional 323 applications valued at $442 million were returned to the applicants without action by Commerce. While the bulk of the items licensed were computers and other advanced electronics, items such as civilian helicopters, heavy trucks (not shipped), and machine tools were also included. Sixty-three of the license applications were sent to State for foreign policy review. State recommended approval for 58 and disapproval for 5. Commerce acted in accordance with State's recommendations.

In addition, although the report discusses U.S. export control policy toward Iraq during the 1980's, some of the wording in the background and findings sections leave the impression that the policy is still in place. As you know, the present U.S. policy is to maintain an embargo on the export of dual use items to Iraq. In fact, U.S. policy today is much stricter for terrorist supporting countries and countries that pose proliferation risks than it was during the 1980's. The report should be modified accordingly.

- 2 -

Since the only recommendation contained in the report is not addressed to the Department of Commerce, we do not plan to take any action in this regard.

We appreciate this opportunity to comment on the draft report.

Sincerely,

Joan McEntee
Acting Under Secretary

Comments From the Department of State

United States Department of State

Washington, D.C. 20520

January 17, 1992

Mr. Joseph E. Kelley
Director, Security and International
Relations Issues
441 G Street, NW
Room 5148
Washington, DC 20548

Dear Mr. Kelley:

Thank you for the opportunity to comment on your draft report ARMS TRANSFER: U.S. Military Items Exported and Transferred to Iraq, GAO/NSIAD-92-01, GAO Job 463793.

Enclosed are comments and a security classification review. If you wish to discuss this issue, please contact Margaret Shields, GAO Liaison Officer, (703) 875-6866.

Sincerely,

Larry J. Eisenhart
Associate Comptroller
Financial Management

Enclosures
As stated.

United States Department of State

Washington, D.C. 20520

January 9, 1992

To: FMP/FM/PAE - Margaret S. Shields

From: PM - James A. Lewis

Subject: Draft GAO Report (GAO Job Code 463793, GAO/NSIAD-92-01)

State Department Comments on Draft GAO Report on Iraq Exports are as follows:

1. Page 2, para. 1, line 2

Delete "military type item".

Replace with "defense articles".

Reason: Accuracy ("Defense articles" is the statutory term: "military type items" could refer to dual-use items.)

2. Page 2, para. 1, second sentence

Delete the sentence and replace with the following:

"As a result of this exception, licenses valued at $4.9 million were approved; four other licenses valued at $43.5 million were also approved but subsequently revoked following Iraq's invasion of Kuwait."

Reason: Accuracy.

3. Page 3, background para., second sentence

Now on p. 2.

(a) Delete the word "eligible".

Reason: FMS sales can only be made to foreign governments or international organizations made "eligible" by Presidential determinations under Section 3(a) of the AECA. There is no "eligibility" standard as such in commercial cases.

(b) Delete the word "purchase" and replace it with "export".

- 2 -

Reason: Licenses are generally not required to purchase defense articles; instead, they are required to export the items. (The main exception deals with prohibited destinations; in such cases, even sales require licenses, which are not approved.)

Now on p. 2.

4. Page 3, Background para., sentence 4

Insert the word "frequently" before "not necessary".

Reason: Normal export licenses are generally not required in FMS cases, although the special DSP 94 licensing document may be needed. However, licenses may be required under certain circumstances depending on where and to whom the items are delivered.

Now on p. 2.

5. Page 3, last sentence

Add "... if the items were furnished under the FMS or MAP program or it the value of the commercial export exceeds certain monetary thresholds."

Reason: Accuracy. Unlawful transfers of commercially exported items must be reported only if the value exceeds $14 million in SME or $50 million of defense articles generally.

The attached copy of the draft report shows our recommendations for classification.

Attachments:
As stated.

Additional Comments From the Department of State

United States Department of State

Washington, D.C. 20520

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FROM CLASSIFIED ENCLOSURE

January 12, 1993

Mr. Joseph E. Kelley
Director, Security and International
Relations Issues
U.S. General Accounting Office
441 G. Street, N.W.
Room 5148
Washington, D. C. 20548

Dear Mr. Kelley:

This letter is in response to your request for declassification of the GAO report entitled IRAQ: U.S. Military Items Exported and Transferred to Iraq. It is important to note that the enclosed marked classified report passages were provided by the Defense Intelligence Agency (DIA). Consequently, in accordance with regulations, the Department cannot release or declassify information provided by another agency. We concur, however, that those parts of the report the source of which is the State Department can be declassified if GAO will amend the unclassified version to include the following statements:

- The UAE cooperated fully in the investigation.
- U.S. embassy personnel fully and properly accounted for all mortar bomb fuses in question.
- With the exception of the single transfer of bombs by Saudi Arabia, of which Congress was notified in accordance with the Arms Export Control Act, the Department of State reviewed the other allegations of unauthorized transfers to Iraq and did not find them to be credible.

Since there was some question and considerable research necessary to determine the source of the pertinent classified information, it is recommended that, in the future, GAO record

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FROM CLASSIFIED ENCLOSURE

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- 2 -

on any report in question from which agency they obtain classified information. This practice would assist and expedite classification identification and decision-making.

If you have any questions concerning this matter or I can be of further assistance, please do not hesitate to contact me on 647-7789 or Eileen Gower on 647-8170.

Sincerely,

Roger R. Gamble
Associate Comptroller
for Management Policy

Enclosure:
As stated.

cc:
GAO - Mr. Brummet
GAO - Mr. Ting

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FROM CLASSIFIED ENCLOSURE

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