May 9, 1984

To: S/NF - Mr. Kennedy

From: S/NF - Pick Gronet

Subject: U.S. Dual-Use Exports to Iraq: Specific Actions

Specific Actions

You posed several questions regarding the attached paper on dual-use exports to Iraq. Responses appear below with questions (some of which I've combined).

1. What should the policy be for the long term and how do we square change in U.S. policy? The long-term situation depends on developments in Iraq. If things stay as they are (no Iraqi support for terrorism, no diplomatic relations, war continues) then whatever we decide now will continue for some time. U.S. nuclear-related trade with Iraq should now allow the sale of insignificant dual-use items such as the ones Al Kital mentioned to you. This trade should be conducted under these conditions:

   a) Each potential export should be judged on its own merits: unsophisticated oscilloscopes which are available from many sources and which Iraq may now import from U.S. firms for non-nuclear uses should be released for export to nuclear organizations in Iraq.

   b) DOE and the national labs should review the proliferation potential of most potential U.S. exports. Those that are obviously too generic in application need not be reviewed.

   c) Assurances should not be solicited, previous efforts over many years to obtain such proved fruitless. The Iraqi Government is not disposed to give meaningful assurances.
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d) U.S. exporters would be responsible for informing the Department of Commerce on end use, installation or any change in location of nuclear-related items sold. Exporter usually has access for some years because of servicing and parts supply.

e) Export should be judged on logic of intended use as stipulated by GOI.

2. What do you say to Al Kital?

- That dual-use items are allowed to be shipped to Iraqi non-nuclear entities under present U.S. regulations.

- That the U.S. has undertaken a policy review for the sale of certain categories of dual-use items to Iraqi nuclear entities.

- The policy review's preliminary results favor expanding such trade to include Iraqi nuclear entities.

- Certain categories of dual-use items will not include any that come under the purview of the A.E.A. because we lack a framework, i.e., an agreement for cooperation, diplomatic relations, government-to-government assurances, for this export.

- In preparation for a positive final outcome of this review, we have already begun taking steps to establish mechanisms for approving exports such as those you have brought to my attention and expressed interest in (oscilloscopes and multi-channel analyzers).

- We expect to have completed this review some time before this fall. (By extending the time, we might be able to mitigate the impact on Congress until the E.A.A. issue is settled one way or another.)

3. If you agree with these proposed actions, I can recast Item 1 into a memo to be circulated to SNEC members so that it might be considered and acted on at their next meeting on 18 May. Preliminary and discreet inquiry leads me to believe it would be acted on favorably.

Agree_________ Disagree_________

S/NP [signature] 2291N

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To: S/NP - Mr. Kennedy
From: S/NP - Dick Gronset
Subject: Dual Use Exports to Iraq

Facts

-- Iraqi officials have been persistent in pursuing with you why dual use technical equipment cannot be exported by the U.S. to Iraq.

-- Issue is likely to come up again at June Board.

-- Policy first propagated by Pickering Nuclear Group in 1980 and followed up to present: No U.S. exports to Iraq's IAEC or Tuwaiitha facility of items on the Nuclear Referral List. The two items mentioned to you by Al-Kital -- oscilloscopes and multi-channel analyzers -- are on the Nuclear Referral List.

V -- If Commerce grants licenses for these items no law or federal regulation is violated, however.

V -- Iraqi desk agrees with this policy and SNEC continues to apply it.

-- U.S. has used "no diplomatic relations" before as the public reason that exports are not sent.

-- Iraqis prefer no diplomatic relations be established.

-- Without diplomatic relations, concerned U.S. agencies believe we would be unable to follow up on assurances that Iraq would be required to give on dual use exports, should disputes arise or diversion take place.

-- No dual use items have been approved from U.S. to Iraqi nuclear entities at least during this Administration.

-- No nuclear end use dual purpose items for Iraq have been considered by SNEC since 1982.
There has been a widespread lack of confidence in Iraqi Government intentions in the nuclear area which led to the 1980 Pickering policy and Iraq's inclusion in the "restricted countries" lists in both DOE Part 810 and the pending IFC Part 110.

Several such items have been approved by SNEC to non-nuclear end-users.

**Key Considerations**

- Should we change policy now when Iraq is publicly implicated in using poison gas?

- What perception would we be conveying to the press and Congress to develop if such exports were now allowed to be shipped to Iraq's nuclear program?

- What would we say to the Israelis when they question those exports?

- If we don't change the policy, how can we continue to deny exports to nuclear entities on the basis of no diplomatic relations when we approve similar dual use items for non-nuclear Iraqi entities?

- The instability of the regime will be little affected, except perhaps in the very long term, by the export of such dual use items to Iraqi nuclear installations.

**Recommendation**

The logic of the above is inescapable: once the door was opened to dual use items being approved to non-nuclear Iraqi nuclear entities, it makes no sense to deny them to nuclear entities. The timing, however, is crucial. If we were to permit such exports now, we would add considerably to our Congressional burdens, not to mention needless adverse publicity. I recommend we begin approving such innocuous exports but delay implementation for a few months so that, at least, Congressional perceptions could be lessened.

- If you agree with the above, we should then obtain the concurrence of concerned agencies in this change of policy so that in due course we are able to respond more positively to the G01.