

Thatcher backed British firm in building “chemical weapons” plant in Iraq

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US Secretary of State Colin Powell last month cited the Falluja 2 chemical plant, headquarters of the Tariq state company, as an example of the Iraqi government rebuilding its chemical weaponry programme through civil establishments.

The CIA identified the Falluja 2 plant last October as a facility “designed specifically for Iraq’s chemical weapons programme”. This view was endorsed by a report from the British government’s joint intelligence committee, which stated, “Plants formerly associated with the chemical warfare programme have been rebuilt. These include the chlorine and phenol plant at Falluja 2.”

Documents newly disclosed by the *Guardian* newspaper in relation to the Falluja 2 plant are therefore extremely embarrassing for both the British and by extension the US government. They reveal that the plant’s building was undertaken by a British company and underwritten through insurance guarantees by the Conservative government of Margaret Thatcher. This information was withheld from the US government at the time. Concerns that the plant would be used to manufacture chemical weapons were raised, but played down by the Tory government because they would impinge on trade relations.

The £14 million plant for the production of chlorine and caustic soda was built in 1985, during the Iran-Iraq war, when it was already known that the Iraqi regime was using chemical weaponry against the Iranians and the Kurds.

The imperialist powers funded both sides of the Iran-Iraq conflict, to some extent in the belief that they would exhaust themselves and possibly even eliminate two troublesome presences in the region. Iraq was supplied with weapons by France but funded by regimes that were close to Washington, such as Saudi Arabia.

By 1984 the Iraqi State Enterprise for Pesticide Production (SEPP) was experiencing difficulties in

buying precursor chemicals, largely as a result of pressure being brought to bear by the US government on German chemical companies. SEPP attempted instead to establish plants within Iraq capable of producing the same precursors. As part of this process it commissioned a chlorine plant at Falluja.

SEPP insisted that the plant was required for water treatment, although the CIA suggested that the three such plants Iraq already had were sufficient for the country’s requirement. Sections of the US and British military were concerned that the plant could be adapted to treat the chlorine further to produce epichlorohydrin (a precursor for mustard gas) and phosphorus trichloride (a precursor for nerve gas).

The contract was awarded in December 1984 to British-based company Uhde Ltd., which in turn was wholly owned by German company Uhde gmbh (a subsidiary of Hoechst at the time, now owned by ThyssenKrupp). Uhde Ltd. also acted through an intermediary company, to which it paid approximately £1 million in commission. The Export Credit Guarantee Department (ECGD) of the Department of Trade (the department which insures and approves such aspects of foreign trade) expressed its anxieties at this complicated network of parent companies. A memo published by the *Guardian* reads: “[this arrangement’s] very nature creates suspicions and there are some unusual circumstances concerning the contract which reinforce those.”

The Foreign Office suggested that these arrangements had been created by the parent company to avoid problems with approval from the German government. When approached informally, the West German government suggested instead that the deal had been split into two contracts as the German equivalent of the ECGD would be unwilling to underwrite such a large contract. Then Foreign Office minister Richard Luce (now Lord Chamberlain) expressed his disappointment that the

“West German authorities seem to have avoided giving any formal judgement on the end-use of the plant.

At the time Luce was engaged with the US government in attempts to ban the export of precursors for mustard gas and nerve gas. He was the British government’s spokesman at a disarmament conference in Geneva, speaking about Britain’s “leading role” in preventing the use of chemicals in warfare. Given advice from the Ministry of Defence that the Falluja plant could be used to manufacture precursors, Luce sought to minimise any potential embarrassment to the government. He appealed to the Trade Minister Paul Channon (now Lord Kelvedon) to oppose ECGD cover being given to the contract, and explicitly stated that there was a possibility that the plant could be used towards the manufacture of chemical weaponry.

Other civil servants were making similar points. Stephen Day, head of the Middle East desk at the Foreign Office, sent a note to the Department of Trade advising them that intelligence suggested a strong possibility of the plant being used for the production of mustard gas. “Mr Channon and Mr. Luce,” he went on, “have given assurances in the House of Commons that no items of equipment would be authorised for Iran or Iraq which it was thought would in any way contribute to the manufacture of chemical weapons.... Hostile critics would undoubtedly make much of any British involvement in such a project (particularly the provision of ECGD cover).”

Luce repeated the point at several meetings with Channon, the minutes of which show clearly that concerns were expressed about the possibility of the plant’s use for chemical warfare purposes. Channon, however, refused to block any trade development which would cut across the British government’s position of courting Saddam Hussein’s regime. Uhde have suggested that without the provision of ECGD cover they would not have been able to finance the project, and have now hinted that the ECGD cover proved that this was a legitimate civilian operation. (“This was a normal plant for the production of chlorine and caustic soda. It could not produce other products. The ECGD provided our English subsidiary company with insurance cover.”)

When Luce finally agreed to the contract proceeding, notes prepared for Channon explain the thinking behind the decision:

“British industry would resent a unilateral ban as an unreasonable commercial restraint.... A ban would do our other trade prospects in Iraq no good.”

Confirmation of the true character of “morality” in imperialist politics can be seen from Luce’s agreement to the contract. The concession he won from Channon in exchange for the agreement was that negotiations should continue with the US over a general ban on export of precursors. However it was agreed between the two departments that they should avoid doing anything which might draw US attention to the contract. One of Channon’s aides wrote that “since the Americans were not involved in this contract it would be unwise to draw their attention to it.”

Luce agreed, replying, “Officials here are in touch with the Americans on the question of further controls on chemicals ... (though for obvious reasons we do not wish to draw attention to chlorine plants).” It was agreed that any specific questions on the project would be obscured behind the ECGD’s refusal to discuss individual cases.

With the contract covered by the ECGD, work began on shipping parts to Falluja 2. But by this time the situation in the Middle east had undergone a dramatic shift. The US had decided to target Saddam Hussein’s regime for destabilisation, in order to ensure America’s hegemony over the oil riches of the region—a decision that was to culminate in the Gulf War of 1991 launched on the pretext of Iraq’s invasion of Kuwait.

The SEPP signed to accept the complete chlorine plant in May 1990 and Uhde Ltd’s final accounts made clear that their continued involvement was at an end by the commencement of hostilities between Iraq and Kuwait. But when the final checks were halted by the start of the Gulf War, Uhde in fact successfully claimed £300,000 compensation from the ECGD. (This underwriting is mentioned in the final accounting: “associated trade debtors have been written down to the amount recoverable from the ECGD”.)



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