



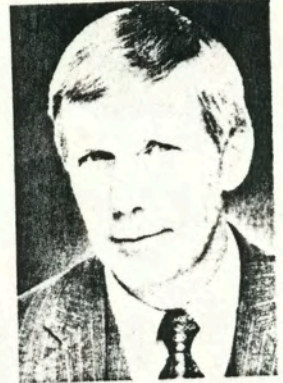
The McAlvany Intelligence Advisor

An in-depth monetary, economic, geopolitical and precious metals analysis

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The McAlvany Intelligence Advisor edited by Donald S. McAlvany is a monthly analysis of global economic, monetary, and geo-political trends which impact the gold and precious metals markets and is explicitly Christian, conservative, and free-market in its perspective. Information contained herein has been carefully selected from sources believed reliable, but absolute accuracy cannot be guaranteed.

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A. WHO IS SADDAM HUSSEIN?

First it was Kadafy; then it was Khomeini; now the Middle East's most dangerous "madman" is Saddam Hussein. The son of a peasant, he committed his first murder at 14. At 20, he joined the then underground Baath Party. He tried to assassinate the then ruler of Iraq, failed and fled to Syria. Saddam rose to power in 1978 as the enforcer behind a bloody coup and took full control of the government in 1979.

Hussein has been called an Arab Hitler. In 1980, seeing Iran in revolutionary turmoil, he attacked his larger neighbor to seize a disputed waterway and nearby oil fields. This led to an eight year war that left one million dead, 1.7 million wounded, and 1.5 million displaced as refugees. Hussein forced a cease fire by firing missiles on civilian population centers in Iran and by using poisonous gas against Iran's troops and civilians. He also gassed his own subjects — resistive Kurds. Saddam exercises near total control over Iraq's 18 million people through his vast security apparatus. The inner circle of Iraq's leadership is packed with Saddam's relatives by blood or marriage, from his extended clan from Takrit in Northern Iraq.

Hussein has executed hundreds of his own military officers over the past decade, 40 in July, and most recently on August 4, 120 who disagreed with his invasion of Kuwait. He recently executed a British journalist and he once shot one of his own cabinet members who disagreed with him, at point blank range during a cabinet meeting. When an Iranian-backed Shiite organization was formed to disrupt his rule, he executed 600 members in 1984. He recently held 8 teenagers who disagreed with his rule and tortured them for 15 months. As a Sunni Moslem ruling in a

predominately Shiite country, Saddam arrested a family of 90 Shiites after one of them made anti-Iraq broadcasts from Iran. When the broadcasts continued, Hussein killed six members of the family in front of the rest.

Hussein wants to go down in history as the Arab conqueror who annihilated Israel. In April he threatened to destroy half of Israel with chemical weapons. Indeed he has long range missiles now aimed at Jerusalem, Tel Aviv, and all of Israel's population centers and military bases, mounted with chemical warheads. Would a man responsible for the deaths of over a million Iraqis and Iranians over the past decade use these chemical laden missiles? He probably would. In 1981, Hussein was building a nuclear bomb factory (with the help of France and Pakistan). The Israelis reckoned the bombs were meant for them and so eliminated the factory with a pre-emptive strike. Saddam hasn't forgotten! Hussein is expected to have his own nuclear weapons within three to five years.

F. THE ISRAELI FACTOR

No one thinks of the Israeli military as wimps. With 141,000 active duty troops and 500,000 reservists, 3,850 tanks, 575 combat aircraft, high tech air-to-air, air-to-ground, and ground-to-air missiles, and nuclear weapons, Israel is well defended and obviously has a strong will to survive. As former Defense Minister Ariel Sharon said recently in a veiled warning to Hussein, "*Israel is not Kuwait.*" Nevertheless, Israel has always considered Iraq to be its greatest threat. Iraq was building nuclear weapons at Osirak (probably for use against Israel) in 1980 and '81 and Israel took them out with a preemptive strike in '81.

Saddam Hussein's dream is to be the Arab leader who takes out Israel. His new long-range missiles, armed with chemical warheads and targeted on Israel, and nuclear weapons he will have built within three to five years could mean the destruction of Israel and the Israelis know it. The Israeli government has begun issuing gas masks to its citizens as well as to all military personnel since Hussein's threat to "scorch half of Israel with poison gas." Thus a preemptive Israeli strike against Iraq over the next year or so is a growing possibility.

One flashpoint in the region is Jordan. Through the 1980s, Iraq and Jordan have greatly cemented

military relations; their air defenses are integrated; they share intelligence. With the Amman government nearly bankrupt, the Iraqis even help to pay for Jordan's Air Force. In July of last year, Iraqi fighter jets flew reconnaissance patrols along Jordan's border with Israel. And Iraqi Army division commanders visited Jordanian units along the river Jordan, obviously to inspect the terrain.

Israel's current nightmare is to find Iraqi missiles deployed in Jordan, where they would easily be capable of hitting any site in Israel. Both Israel and Jordan know that the stationing of Iraqi troops in Jordan would be a strong reason for Israel going to war.

Until the latest Iraqi move against Kuwait, Israel had been falling into disfavor in Western Europe and America. The Palestinian uprising in the occupied territories, orchestrated by the PLO and the KGB, and the tough moves Israel has taken to contain it, have caused much the same reaction in the West which South Africa used to get when it stood up to the ANC and tried to contain their terrorism. US and Western aid to Israel was beginning to wane even as anti-Semitism has been spreading rapidly in Europe and Russia over the past two years. Now Israel will get a respite (for maybe 6-12 months) while the world concentrates on the Iraqi threat. Hussein is not helping the image of the Moslem world. The PLO's alliance with and support for Hussein is also a plus for Israel-helping the world to see the PLO's true colors.

G. THE SOVIET CONNECTION

This writer's good friend, Senator Bill Richardson (R-CA) described the Soviet involvement in Iraq as follows:

In spite of the saber-rattling by President Bush, the chances of the Iraqis leaving Kuwait is zero to zip. They will wait us out, comfortable in the knowledge that Bush will compromise his tough stand...they believe it's his nature to do so. They also understand the conciliatory policy of the Bush Administration towards the Soviet Union.

The chances of a full-scale military operation against the Iraqi forces is really "unthinkable" to the US State Department since it would cause unfriendly vibes with the Soviets. The Iraqi government has had a Friendship Treaty with the Soviets since 1972 and is solidly in the communist orbit. In essence, the USSR is militarily committed to help Iraq.

The Soviets have eight military facilities (or bases) in Iraq according to Robert Morris in his 1987 book, Our Globe Under Seige Part III. Morris quoted columnist Paul Scott who listed these facilities several years ago as:

- 1) A major naval facility at Umn Qasr at the mouth of the Shaat-el Arab which flows into the Persian Gulf. This base includes maintenance facilities for ships and basing for equipment and ammunition.

There are also boarding ramps for Hovercraft that can transport naval infantry from the base.

- 2) The naval installations and facilities at Zubior and al Qurnah, the former on a body of water below the Euphrates River and the latter on the Tigris. Both ports can service Soviet warships.

- 3) There are air bases at Sulaymaniyah in the north-east Mosul in the north central sector of the country.

Morris went on to describe how at the onset of the Iran/Iraq war, Western intelligence and military officials widely believed that Iraq intended to tie down the Iranian military forces, thus facilitating the dismantling of the Teheran regime — opening the way for a Soviet takeover. By 1985/86 there were 1000 Soviet military advisors in Iraq and the 1987 Defense Report states that this provision for arms for Baghdad is continuing. Today, between 800 and 900 Soviet advisors still remain in Iraq.

Iraq has received more armament from the Communist bloc than any other third world country, so says the US Department of Defense. In 1985/86 they received over \$3.5 billion in military aid. In 1979, President Hussein and Soviet Defense Minister Ustinov signed an agreement on military cooperation and strategic consultation...get that, strategic consultation!!!

Richardson went on that there is little doubt that the Soviets were apprised of the invasion before it happened, helped plan it and approved of it. There is no way communist puppet Saddam Hussein would have given the orders to invade Kuwait if it were not sanctioned by Gorbachev.

The Soviet "condemnation" of Iraq must have created quite a guffaw in the Kremlin. It is obvious they believe the West can be bamboozled at will and we will still love them in the morning. The capture of Kuwait has always been on the communist agenda and now that rich little oil-filled gem is in the communist camp...to stay.

We are witnessing classic communist tactics in operation; the use of a common border to invade a pro-west country, the pushing forward until stiff resistance is met at Saudi Arabia. The Iraqis will then "compromise" by backing off at attacking the Saudis; the classic two steps forward, one step back scenario. It may not work out exactly this way but it will be close.

It is highly improbable American troops will invade Kuwait; one needs only to look at a map to see the difficulties that would be encountered. The Saudis are not overjoyed to allow our aircraft the use of their air bases, much less permit an expeditionary force to attack an Arab neighbor. Defending Saudi Arabia will be permitted but serving as the launching area for an attack against an enemy that outnumbers you ten-to-one is bad logistics. Can you imagine the horrendous

stink the hard-left would raise in this country if we did? The peaceniks, the marxist-college professors and the gullible students would scream, "Why should our boys die to protect the fortunes of turbaned sheiks and US oil interests?" The media would give them prime time attention.

Time is on the side of Iraq. Sooner or later the western powers will begin to "negotiate" with President Hussein and the new revolutionary government of Kuwait. Gorbachev may even offer to act as a neutral intermediary and Secretary of State James Baker will think it's a good idea. President Bush will take the honors for bringing everyone to the negotiating table and credit the sanctions as resolving the controversy. Once again oil will flow from Kuwait...but the profits will then go into the pockets of the communists, just like it does in Angola. Everybody will be happy...everybody except the Kuwaitis and Americans who are smart enough to know the communists are one step closer to America.

The primary enemy is not Iraq...it's the Soviet Union. If you look closely you will see the machiavellian-communist fingerprints all over the dead body of Kuwait.